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ADVANCED MANAGEMENT

SEPTEMBER 1955
VOL. XX NO. 9

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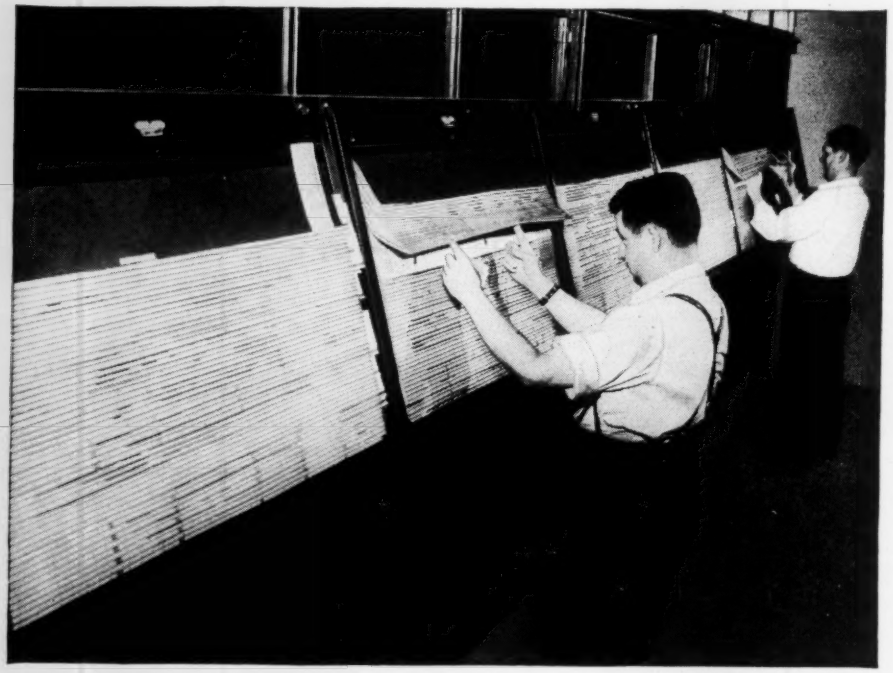

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"Through research, discussion, publication, and other appropriate means to conduct and promote scientific study of the principles governing organized effort in industrial and economic life . . . for the general betterment of society . . ."

SAM Constitution

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Management Science--

Neither Fiction Nor Fact

THE Taylor-Gilbreth-Clark tradition commits us to the "Advancement of Management" through making management more scientific. What "more scientific" might really imply is not too frequently discussed. Sometimes discussion seems to divide us into "hard-headed men of experience" and the "long-haired, ivory-towered theorists."

But such division is harmful to the advancement of scientific management. Advancement is possible only when the men of power and experience team up with the scientists. To promote such teamwork at the local level is one of the basic objectives of the S.A.M. chapter program. To summarize the results of such teamwork is the program of our Fall Conference on the Measurement of Management.

It has been said that chemistry is the result of the marriage of alchemy with mathematics. Whether or not that is true historically, it is true that the essence of science lies in measurement. Common sense told us that the world was flat, but measurement sent Columbus on his voyage of discovery. Painstakingly, piece by piece, patient scholars have taken man's experience and analyzed, defined, and measured. This is the history of science and science is a foundation of modern civilization.

Sometimes people mistakenly assume that science is a body of fact. It is more than fact — it is measurement, prediction, and control. Sometimes ignorant people have insisted that science was fiction, especially wherein it was not fact. There is a vast difference, however, between fiction and theory —between simple prediction based on hunch and wish and scientific prediction based on measurement.

We must resolutely set ourselves against any division in management between experience and science—between practice and theory—between line authority and staff research. It is the partnership of experience and measurement that will lead us forward.

Possibly our Fall Conference may become an annual inventory of the painstaking and creeping advance measurement has made in management during the preceding year. Its proceedings may well become the annual milestone in American management's conquest of ignorance and prejudice by the replacement of debate and guesswork by ***Measurement.***

F. F. BRADSHAW
President

GEORGE M. GOETTELMAN was appointed Executive Director of Industry's Advisory Board for Hospitals early in 1955; he has been with Johnson & Johnson since 1944, in successive positions as Mill Industrial Engineer, Head of Product Development and Staff Industrial Engineer. Prior to 1944 he had varied experience in purchasing and production control, factory accounting, and as Head of Manufacturing Methods Research and Production and Works Manager. His challenging leadership of S.A.M.'s Industry's Advisory Board and the enthusiastic work of its members has attracted the attention of hospitals and other civic organizations throughout the country. In the following article he tells us how we can do something about "our business" in our communities.

Scientific Management Enters Civic Affairs

By George M. Goettelman
S.A.M. Vice President of Civic Affairs,
Executive Director of Industry's
Advisory Board for Hospitals,
Raritan Valley Chapter, S.A.M.

Many civic institutions and organizations such as hospitals, schools, small businesses, trade associations, and municipal boards and managers are becoming increasingly aware of the benefits they can achieve through the application of scientific management principles. George Goettelman presents what some of our chapters and many of our members have learned in bringing their professional management knowledge to bear on voluntary civic activities. The growing interest in this work is evidenced by newspaper articles and the September *Reader's Digest* story entitled "Hospitals Are Everybody's Business".

As we came into the blood bank room in the hospital, we could hardly see the registered nurse behind the piles of papers and reports strewn about the top of her desk. She was busily making notations, writing up forms, and entering records in books. (By actual count later, we found that the nurse handled 13 different forms and made entries in three different log books.) As she looked up at us over the litter on her desk, we told her we were working with the hospital as members of Industry's Advisory Board, and asked her what she was doing.

"Oh, I'm just trying to get some charges and credits on the blood bank ready for the Business Office," she answered.

Together we went over all the records and the forms she used, and right on the spot, with the nurse's help, we made up a flow chart, showing the various forms, where they came from, what she did to each form, and where they went. As she grasped our purpose, she began to show an eager interest in helping us.

Next, we looked at the equipment, with a running commentary from the nurse. Half of the blood bank office was used as an emergency room, and this one RN had to care for any emergency patients, at the same time carrying on all of the functions of the blood bank.

We asked her, "What would you do if you had a donor giving a pint of blood on this table, and all of a sudden an emergency case came in, such as a man all cut up in a street brawl?"

She shook her head, frowning. "I don't honestly know what I'd do—Scream for help, I guess!" Then she smiled, and said, "But of course, it's never yet happened."

We were talking with the nurse at the blood bank because during one of our early contacts with this hospital, a rather vexing problem had been brought to the attention of the Industry's Advisory Board by the Administrator of St. Peter's General Hospital in New Brunswick, New Jersey. The hospital's business office was having difficulty in reconciling charges and credits from the blood bank against the patients' records. Charges and credits were regularly appearing in the business office three days late, which meant that some patients were not charged for transfusions or given credit for blood donated, as the paper work would arrive after the patient had been discharged. We were asked to look into this situation and to make recommendations for its correction.

Discussing matters further with the nurse, we found that physically the blood bank was about 75 feet from the laboratory, so that somebody had to walk back and forth from the bank to the laboratory with the pilot tubes of blood and records.

After finishing this preliminary survey, we analyzed the flow chart and the paper work. We reduced the paper work to two multi-copy forms; one, a four-copy form for the blood donor, and the other, a two-copy form for the transfusion request and record. (See Figure 1.) After several discussions with the hospital, the following changes were made:

The blood bank function was removed from nursing service and put under the control of the laboratory. The two registered nurses, on two shifts, were relieved

of their duties in manning the blood bank and were placed in other locations in the hospital where their services would be of greater value. A student nurse was placed in charge of the emergency room. The receptionist for the out-patient department was given added duties in connection with the blood bank, interviewing donors, typing the various forms, keeping a complete donor record. This meant that records going to the business office would be typed so there could be no misunderstanding as to names and addresses. These records reached the business office within two hours after a transaction.

The hospital then moved the blood bank to a location directly across the hall from the laboratory. The pathologist became the blood bank technician in place of the nurses. This meant that a donor coming in would be greeted by the receptionist, all of the pertinent information would be typed on the donor form, a call would be made for an intern to give the donor a physical examination, the pathologist would draw the blood, take it across the hall to the laboratory, type it, and be back again in six steps to the blood bank to place the blood in the refrigerator.

Before I give you the results of this blood bank survey, let me tell you something about the organization and the people who worked on this project as well as many others. General Robert W. Johnson*, chairman of the board of Johnson & Johnson, of New Brunswick, New Jersey, first conceived the idea of an Advisory Board for Hospitals in 1951. He felt that there were many hospital problems and difficulties which required the same kind of skilled attention given in industry to operating and organization problems by management and staff specialists, or by industrial consultants. He suggested that a committee be formed of J. & J. personnel to look into the possibilities.

Industry's Advisory Board

The work of the Advisory Board shortly developed to the extent where much more help could be used, so the Board was sponsored by the Raritan Valley Chapter of S.A.M., many of whose members had already been working on hospital programs or other civic affairs work. With this move, the Board was able to draw on specialists and staff experts from as many as twenty industries in the New Brunswick area, and a far greater service could be furnished the hospitals.

Since Industry's Advisory Board for Hospitals is a non-profit, voluntary organization of the Society, the companies allow their staff specialists to work on hospital projects both on company time and personal time, as the work demands, and the companies absorb all of the costs entailed. It is indicated that this year at least an additional dozen or more firms will join this community project. Since its inception a total of 48 technicians with various specialties from industry have participated in the Board's activities, so you can see what widespread development these projects attain in their communities. (For more details about the development and activities of the Board, see Reference 9, Bibliography.)

Similarly, on the Detroit S.A.M. Chapter's Harper Hospital Committee, led by Owen R. Goodrich, there was very broad participation, with representatives on the Committee, from many companies and other organizations in the area. This Committee worked with the Harper Hospital Advisory Committee on the Improvement of Patient Care led by Miss Marion Wright, Associate Director of the Hospital. Its program developed in much the same way as the program of the New Jersey Board, though naturally the projects tackled depended to a great extent upon the problem situations presented by the hospitals. (For more details about the Harper Hospital Program, see References 10 and 23.)

* *S.A.M.'s Human Relations Award for outstanding accomplishment in the advancement of human relations was presented to General Johnson in* 1950.

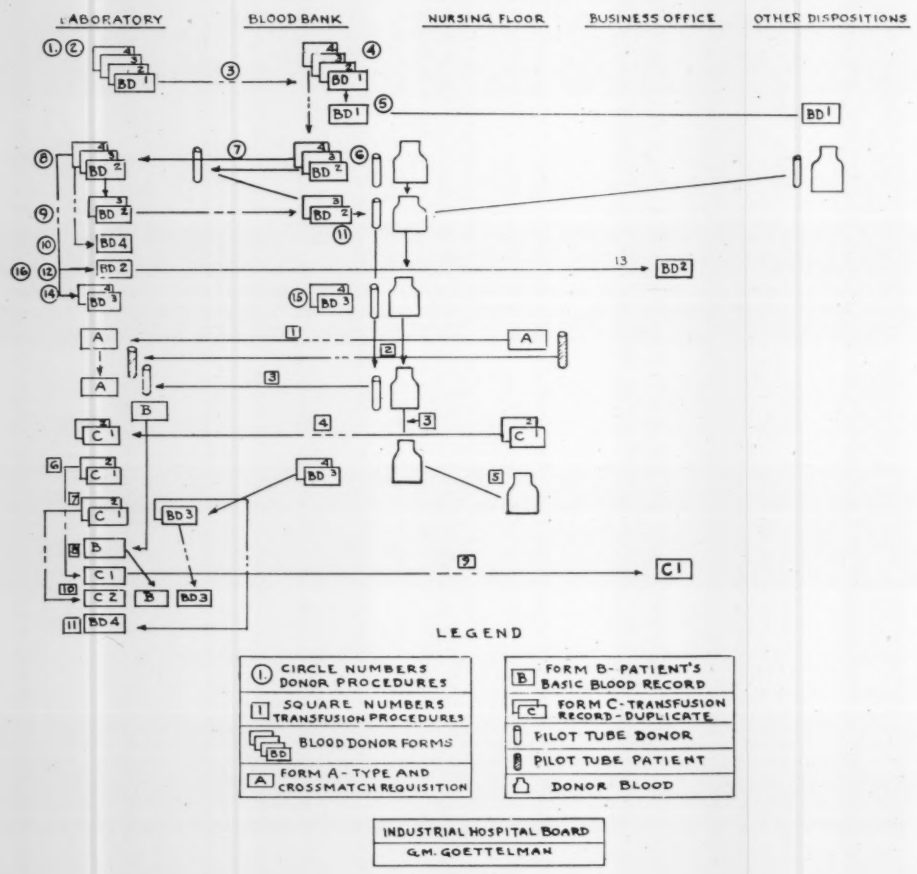

Figure 1

Blood Bank Survey Results

As a result of our survey of the blood bank, we relieved the registered nurses of the blood bank function, streamlined the paper work, and improved the bank's facilities. Some problems already known to the hospital had been cleared up—and many unrecognized inefficiencies discovered and resolved. The best summary of the results is given in a statement by a representative of the hospital:

"In salaries alone a saving of $2200

per year has been realized in the operation of the blood bank. The bank was formerly open seven days a week, twelve hours a day. Such hours required the services of two registered nurses. Today the bank has one clerk-receptionist and a medical technologist, fifty percent of whose time is spent in the blood bank. The technologist assumed the blood bank duties in addition to his other duties and no numerical increase in personnel was required. We therefore operate the blood bank with one and a half employees. The receptionist works a full forty hour week while the technologist works a total of twenty hours a week in the blood bank. The relief technician works four hours a week covering evening hours.

One For One Replacement

"Other impressive results have been felt in our cashier's office. The cashier receives charge and credit tickets at 9:00 A.M. each day. Few patients find errors in their bills as a result of failure to credit them with replacements. Differences usually are the result of rejections of donors who the patient thought had donated for his account. Such misunderstandings are easily cleared up by a phone call to the bank which can give without delay the names of all donors and the dates of donations as well as the total amount of blood issued. Quick complete confident answers have a good psychological effect on the patient. His tendency to question every item on the bill is curbed. If he discovers an error in his blood account he is likely to feel that other charges bear inspection also. This, most hospitals will agree, can be very time consuming and unproductive.

"When we inaugurated our new system we required replacement of two pints of blood for each pint issued up to and including twelve pints. The new operation has enabled us to reduce this requirement so that a one for one replacement is accepted for each pint issued after the first six. Closer attention to the details of collecting while the patient is still in the hospital has helped in this accomplishment. . . . Improvement in administrative areas of a service have a definite effect upon the quality of patient care. The clerk receptionist working with the medical technologist has been the one in our new organization who keeps our blood bank filled.

"The establishing of the new procedures required a detailed explanation of the routing of forms and the handling of them by the department concerned. A flow process chart was used here also in order to provide a pictorial description of the donor procedure and requisitioning procedure." (See Figure 1 and Ref. 16.)

INDUSTRY'S ADVISORY BOARD DISCUSSING WAYS AND MEANS OF ATTACKING HOSPITAL PROBLEMS

Left to right: John Varley, George Seamon, Carl Rabke, Matt Adams, Tom Hassey, George Winch, George Goettelman, Harold Burnham, James Stamp, Leif Larson, Kermit Whiteman, Donald DeWitt, Barney Rygh and John Russ.

This improvement achieved in the efficiency of a blood bank is just one among a great many accomplished over the last three years and a half by our Industry's Advisory Board for Hospitals of the Raritan Valley Chapter of S.A.M. We have estimated that the members of the Advisory Board from different companies have given about 954 manhours to this work over this period. At $10 an hour, it would have cost close to $10,000 for the hospitals to have this work done, while the estimated savings the hospitals have made as a result of the numerous projects carried to completion is $200,000. Word of the work of the Advisory Board and the projects of other Chapters has spread rapidly, and accounts have appeared in many newspapers, magazine articles, conference proceedings, and even books, as witnessed in the selected bibliography on this activity given at the end of this article. An article by Elsie McCormick on our Board's activities, entitled "Hospitals Are Everybody's Business," appeared in the September *Reader's Digest.* (Ref. 14.)

The Harper Hospital Committee

The following projects undertaken and completed by the Detroit S.A.M. Committee are illustrative of the work done with the Harper Hospital:

A pharmacy delivery service which was developed eliminated the necessity of skilled personnel such as nurses spending valuable time going after pharmacy supplies and drugs, and no extra help was added in the pharmacy. An interesting and effective by-product of this study was the reaction of the personnel directly assigned to the pharmacy. They began to think of numerous ways to make their efforts more effective.

The installation of a central messenger service eliminated the necessity for hospital floor personnel to leave their work area to complete necessary but time consuming errands. The facts that were collected to support the conclusion that a messenger service was necessary were most revealing.

The linen cart exchange service was developed to reduce the multiple han-

dling of hospital linen and to establish stronger inventory control over the linen supply. On the Committee's tour through the hospital it was noticed that the flow of clean linen was as follows:

1. From mangle to truck.
2. Truck to laundry room storage.
3. Laundry room storage to another truck.
4. Truck to hospital floor linen closet.
5. Linen made up in kits for use on patient's bed.
6. Kits to another truck.
7. Truck to bed.

Simplified Linen Handling

This method obviously requires much handling. The hospital accepted the suggestion of designing and building a special truck, so that the linen now flows as follows:

1. From mangle to newly designed truck.
2. From truck to bed, after temporary storage of truck and its load while awaiting use of linen.

A work simplification training program was developed by the S.A.M. Committee. This training program was given to the department heads during the six weekly sessions of two hours each, and conducted by members of the committee. Two hospital people attended these classes with the assignment of preparing themselves to lead classes to be given later. These people conducted a second series of classes.

Members of the S.A.M. Committee instructed three members of the hospital staff (hospital management interns) in the technique of ratio-delay statistical sampling studies. They gave advice as the ratio-delay study of several hospital jobs was made. This study was made on a twenty-four hour per day, seven day per week basis, and the information obtained was very valuable. *(See Refs. 6, 10, and 23.)*

Why Civic Activities?

We have often been asked, "Why do the Society and its members in business and industry do this work for hospitals and other institutions? What is the gimmick?"

Actually, industries are philanthropic. They support all kinds of community ventures. They donate parks, libraries, community halls, and work in community organizations and in service groups. Whatever assistance the Society can furnish to the hospitals, for example, in the improvement of patient care, the reduction of costs, the improvement of facilities, the proper use of professional and non-professional services, benefits the community at large. The participating industries are obtaining a better understanding of hospital problems. The community at large is being indoctrinated in hospital needs and services through articles appearing in the local and national press. A better understanding between hospitals is also the result of the interchange of ideas and closer communications engendered by the members of the Advisory Boards.

Again, there is a certain self-interest in industry to support an Advisory Board. The safety and security of the lives of our employees are of the highest moral and economic interest to our companies. The local hospitals protect these lives. Managements contribute large shares directly through donations and indirectly through hospitalization plans and taxes to defray the cost of hospitals. Any help toward reducing these costs will inevitably help management. Basically, however, it comes down to our responsibility to forward and assist the communities in which we live and work in every way we can—and the satisfaction we gain from this through our civic activities has been tremendous.

Finally, this contribution to improved community institutions has not been a one-way street for the Society members who have so eagerly participated in it. They have obtained a better understanding of community problems; they have improved their talents in fields not normally associated with industry; they have made it possible for others to know of the work of the Society; they have gained satisfaction in seeing marked improvements in the respective institutions' financial and operating structures. Having seen all the benefits which accrue to many people, is it any wonder that our members work so hard and so faithfully?

There are certain principles which we have discovered helpful to follow in working with hospitals, which could also be applied in work with any other community organizations. S.A.M. Industry's Advisory Board for Hospitals' principles for operation are:

a. Hospitals have sound administrators who can use staff assistants effectively.
b. Industry's Advisory Board for Hospitals performs finished staff work and makes its recommendations to the administrations.
c. Administrators assign tasks and execute recommendations as they see fit.

In all of the Board's activities and contacts with hospital administration and staff, we always bear in mind that we are performing staff functions at the request of the administrators who have the prerogative of accepting our recommendations either wholly or in part and executing these recommendations as they see fit. Under no circumstances will we recommend any improvement without first being asked to do so. *Our service to hospitals can best be described as follows: The best patient care, the most effective use of professional and non-professional personnel, at the lowest possible cost.*

Committee Organization

The Raritan Valley Chapter's Industry's Advisory Board for Hospitals has developed an organization to cope with the variety and breadth of the problems encountered as the activities with the various hospitals grew. The Executive Committee of the Board consists of a Chairman, Vice Chairman, and a Secretary. In order to assure constant contacts with the hospitals, a Liaison Committee consisting of a Coordinator and an Assistant Coordinator was set up for each hospital. Then it was found that the problems and projects of the hospitals fell into certain classes and the Operational Groups were organized. These are broken down into Training, Wage and Salary Administration, Administrative Engineering, Operational Engineering, Personnel, and Public Relations Groups. Each of the Operational Groups is headed by a Director and an Assistant Director. These people have the responsibility of seeing that projects which fall under their categories are carried to a successful conclusion, and can call on various companies and specialists for assistance in completing these projects. (See Figure 2.)

Work has been going on in the S.A.M. Boston, Detroit, Northern N. J., Philadelphia, and Raritan Valley Chapters, and it is being planned and discussed in other chapters. A listing of some of

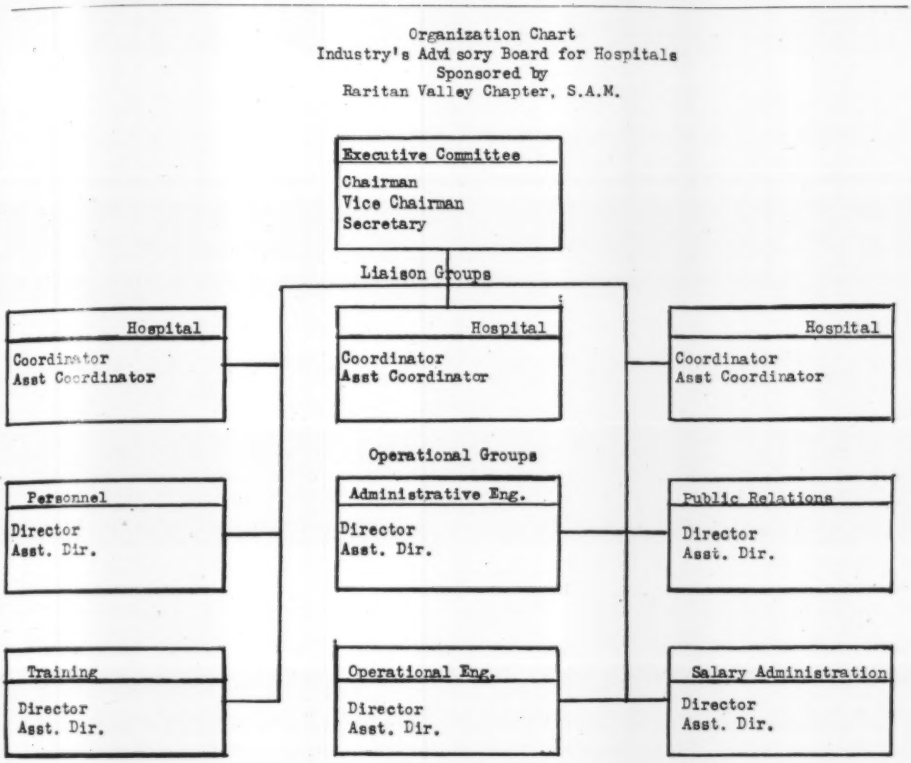

Figure 2

the projects which have been completed will demonstrate the variety of management and engineering functions on which the Boards are asked to work, and show why we have had to establish so many operational groups.

Different Types of Projects

Supervisory training courses for heads of departments and head nurses.

Work simplification training courses for hospital management at various levels. (See Refs. 10, 23.)

Management training courses for heads of departments; and a course in conference leadership.

Development of a pharmacy delivery service and a central messenger service; and setting up a message center for disaster control. (See Refs. 10, 23.)

A linen-handling improvement project, two linen control projects, and a methods and equipment study in a laundry. (See Refs. 10-23.)

A training course for supervisors in merit rating, so they could inaugurate their own merit rating program.

A supervisory development course for general duty nurses who have a desire and are qualified to become head nurses.

Two food service programs which reduced costs or increased revenue conservatively estimated at $100,000 a year in two hospitals. (See Ref. 17.)

A food preparation project which saves approximately $50,000 a year in one hospital. (See Ref. 17.)

Two projects in wage and salary administration, reducing labor turnover by determining who does what for what price.

Review of personnel records and procedures; a methods and forms survey for a business office.

Various surveys of purchasing functions, elevator maintenance, electric circuits, and instrumentation in a power house.

An administrative council, streamlining the administrative functions and enabling a hospital to reduce its personnel by 35 people. (See Ref. 9.)

Instructing training directors of hospitals in the technique of in-hospital training and volunteer training programs.

A noise abatement survey, reducing patient complaints on noise in a hospital from 35% to 6%. (See Ref. 2.)

A parking lot survey, increasing the space for the parking of cars from 45 to 86 in the same area.

The inauguration of a safety program, consisting of a hazard check, evacuation plans and drills, fire drills, accident statistics, and educational plans in the hospital.

A complete program of required maintenance including work load estimates.

A study in blood bank functions and records, which saved the services of two registered nurses. (See Ref. 16.)

A survey of warehousing to obtain better utilization of existing space.

Centralized Food Service

As a final illustration of the work of our Board, let me tell you about one of our food service programs, analyzing and improving the service of food to hospital patients.

Three industrial engineers from three different industries, and a cafeteria supervisor from another made this food survey at St. Peter's General Hospital. It was found that it required three departments to serve the food and that the dietary department which, in our opinion, should have handled the food service, spent the least amount of time on it. All told, 77 manhours per day were expended in serving three meals to approximately 180 patients. Of these 77 hours, nursing service contributed 38, the housekeeping department 34, and the dietary 5 manhours. A flow chart indicated the steps required to serve food to a patient. (See Figure 3.) Upon a thorough analysis of the problem we came up with the following recommendations:

It would be desirable from a functional standpoint that the food service be placed under one responsibility in order to avoid the crossing of departmental lines.

It would be possible to increase the nursing staff by at least four people by the elimination of their work on the distribution of food. This addition to the nursing service would be particularly valuable in case of emergencies which often arise during mealtime. Very often patients are brought down from the operating room and require the full attention of the nursing service. Therefore, if it is the duty of the head nurse

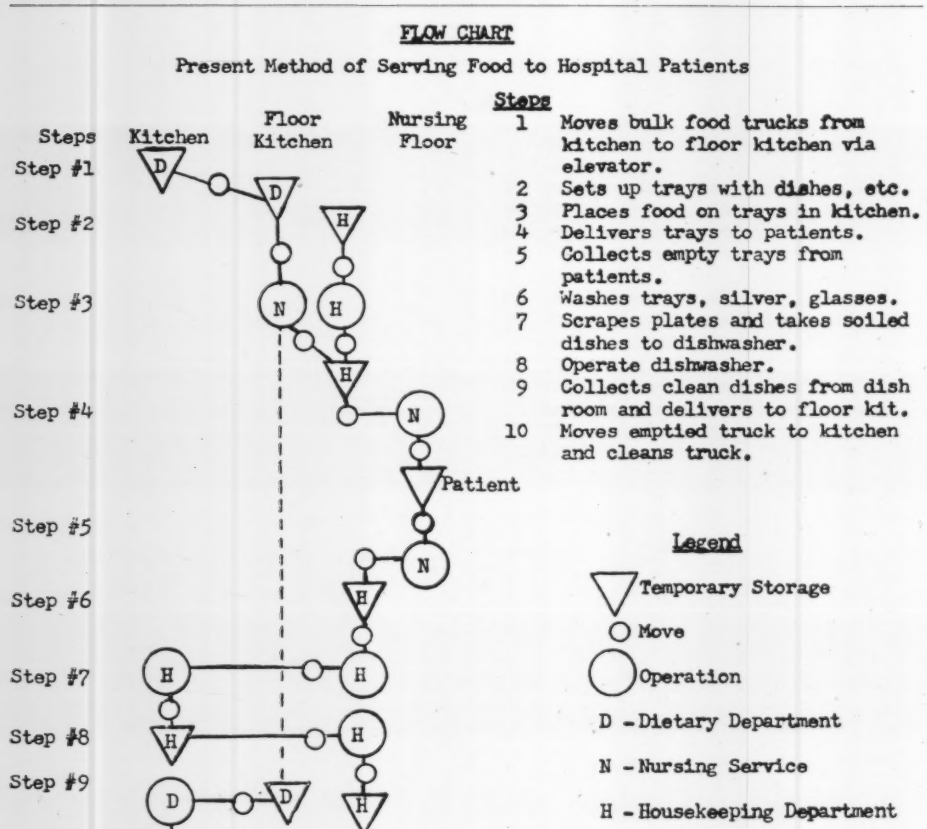

Figure 3

to dish out the food from the deep-well trucks to the plates and she is busy with a postoperative patient, someone's going to go hungry.

Economies would be effected by using the dishwashing equipment to a greater extent and eliminating the hand washing of silverware, glasses, trays, and food covers in the floor kitchens. It was also believed that by increasing the temperature of the rinse water in the dishwashing machine, the hand drying of dishes could be eliminated.

Housekeeping personnel, who assisted in the serving of the food, should be placed in uniform. This would be conducive to better morale and in line with the thinking that food should not be served by people in street clothes.

The majority of these recommendations were of a temporary nature as it was strongly recommended that the five floor kitchens be abandoned and a centralized food service be inaugurated using some type of thermo-container which would insure the meals served to the patients would be hot and retain all of the flavor and nutritive value of the food. By the use of a centralized system, we believed the following economies could be effected:

Food portions would be uniform and shortages or overages, which now occur under the present system, would be eliminated.

There would be a distinct reduction in the personnel required to serve the food as it would be unnecessary to man for peak loads; the meal times for each floor could be staggered thus enabling the same personnel to serve all floors.

The five floor kitchens could be eliminated as such and put to other uses, perhaps revenue producing. We found that because an elevator was immediately adjacent to the floor kitchens, they could not be used as bedrooms. However, by swapping these rooms for the solariums, twelve additional beds would be available for use in the hospital.

If the centralized food service plan were inaugurated and the present kitchen facilities expanded to the required area for such a service, consideration should be given to further expansion of the kitchen so as to provide this facility for the contemplated new wing, which would materially reduce its cost and provide space for other services.

A new flow chart was prepared which showed the proposed method of serving food. (See Figure 4.) We had eliminated five steps and two departments in the service of food.

The hospital reports in June of this year that, "Many of these recommendations have been put into effect. Organizational defects have been corrected, registered nurses now have more time for purely nursing duties, selective menus are now offered and food wastage has been materially reduced. The recommended centralized food service has not been realized but only because of limited space." (See Ref. 17.)

On The Record

The response to our advisory work has been very gratifying, as witness the following comments:

Frank D. Hicks, Editor of Hospital Management, says, "Every study ever made in this health area, including the Hoover Commission studies, always reveals enormous wastes. But, strangely enough, precious little is done about these wastes. The work you are initiating is a most promising start."

John H. Beddow, Administrator of the Middlesex General Hospital in New Brunswick, advises, "The idea and performance of the Board is unique, wholesome, and effective. In brief it covers both sides of the coin, increases the morale and pride in work of virtually every hospital employee and either saves the hospital vast sums in operational costs or increases hospital revenue."

Edward J. Morrison, of St. Peter's General Hospital in New Brunswick, writes, "The effectiveness of the hospital executive is limited only by his own experience and his willingness to ask for assistance where this assistance is available. *Any administrator is missing a bet who does not look into the possibility*

GROUP ANALYSIS OF A PROBLEM

Left to right: Kermit Whiteman, George Seamon and Donald DeWitt working out a hospital food service problem.

of obtaining such assistance either through a specific local industrial concern or the local chapter of the Society for Advancement of Management." (See Ref. 10.)

On the record we have made in our various chapters in S.A.M., we feel that through the activities and coordination of S.A.M. committees area-wide industry can offer a comprehensive service which will be of great assistance to various institutions in our communities.

For The Future

Members of every one of our Society's Chapters have participated in many civic activities in the communities in which they live and work. Our Society has many contributions to community service of which we can be proud, in working in schools and hospitals, in good government and junior achievement projects, in providing engineering and professional management services to municipal managers and boards, in organizing small business clinics and institutes, and in working with trade associations. Now that the function of civic affairs has been recognized in our Society organization, with the formation by the Board of Directors of the Office of Vice President of Civic Affairs, we hope that this activity can be coordinated and expanded. This S.A.M. office has been created to assist the chapters in continuing their present program, or in starting new endeavors. It is also our function to assemble and correlate all of the written reports from the chapters on civic affairs, so that research programs may be started.

We are now making a chapter survey of past and present projects connected with civic activities, and chapter plans for new programs which they intend to start during the coming year or the years ahead. We have had queries and information as to civic activities coming in to us already. We have planned a progressive and far-reaching program for the Society, which should result in real benefits for the Society, its members, and their communities.

STUDYING FOOD SERVICE METHOD
George Seamon, Industrial Engineer, making a study of the old method of setting up food trays.

FLOW CHART

Proposed Method of Serving Food to Hospital Patients

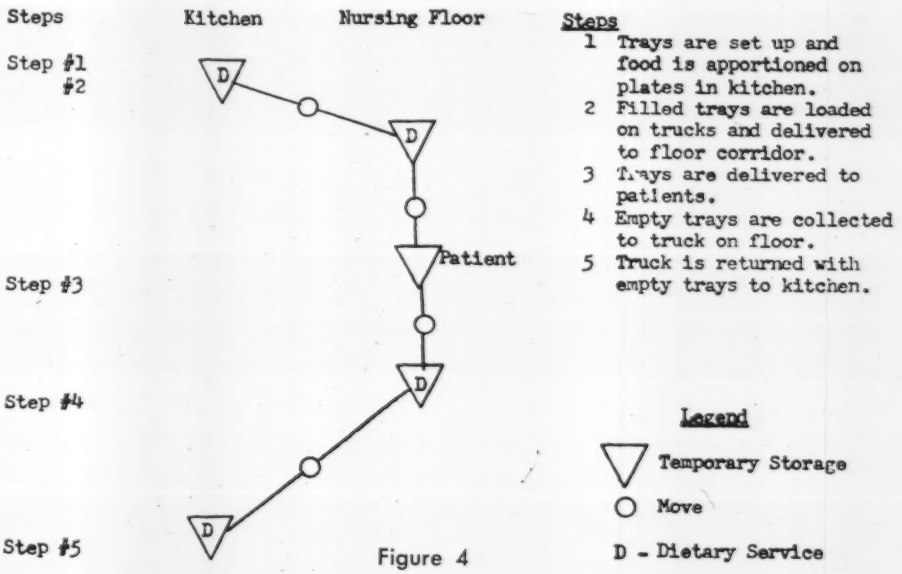

Figure 4

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END

Fall Conference — Society for the Advancement of Management

MEASUREMENT OF MANAGEMENT

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First Day—Thursday, November 3

(Each speaker will talk and then carry a live Question Session)

8:00- 9:15 Registration

9:15- 9:30 Conference Opening
Introduction of Chairman
Remarks by Chairman

9:30-10:45 Keynote—What is the Job of Measurement?

10:45-12:00 Logical Analysis of the Measurement Problem of Management
Limitations-Philosophical Background

12:15- 1:00 Lunch

1:00- 1:45 Luncheon Speaker

2:00- 5:00 What Measurements of Functions Are Top Management Developing?

New Principles and Techniques for Measuring the Effectiveness of the:

2:00- 3:00 Distribution Function

3:00- 4:00 Production Function

4:00- 5:00 Relations Function

Cocktail Party

Banquet

Taylor Award Recipient of Award

The Harrington Emerson Award and Citation

The Human Relations Award

Banquet Speaker

Second Day—Friday, November 4

9:00-12:00 Measurements of Functions (Cont'd)

New Principles and Techniques for Measuring the Effectiveness of the:

9:00-10:00 Research and Development Function

10:00-11:00 Finance and Control Function

11:00-12:00 Top Management Function

12:30- 1:15 Lunch

1:15- 1:45 Luncheon Speaker

2:00- 3:15 New Tools For Management

3:15- 4:30 Conference Summary and Playback and a Look Ahead

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Kenneth H. Klipstein, General Manager, Research Division, American Cyanamid Co.

Mark de Ferranti, Senior Consultant Manager Development, General Electric Company

Harold R. Bixler, Executive Vice President, Society For Advancement of Management

Benjamin Harrison, Vice President, Sylvania Electric Products, Inc.

Paul F. Lazarsfeld, Professor of Sociology and Executive Officer of the Sociology Department, Columbia University

John Scott, Time Inc.

H. H. CAREY was associated with the Western Electric Company from 1922-1946 in sales, production control, and then in personnel and industrial relations, his last position with the company being Supervisor of Personnel Administration of the General Personnel Department in New York. Since 1946 he has been a personnel consultant. He coined the phrase "consultative supervision and management" and first expressed the concept in Nation's Business *in 1937 and again in* Personnel *in 1942. He is a member of S.A.M., a former member of the Board of Directors, and Chairman of the Philadelphia Chapter from 1950-51. While leading a S.A.M. seminar several months ago on management development, he discussed some of the points made here and later developed them into this article.*

The Climate For Growth

by H. H. Carey
Personnel Consultant
Philadelphia, Penna.

What conditions in a company tend to stimulate or retard individual growth and affect the development of managemeent? Have you recently noticed any factors in your own company "holding you back" or "pushing you ahead"? H. H. Carey presents some acute observations on such conditions for growth (or inhibition) as management's objectives, attitudes toward participation and communication, type of discipline, and sense of security. He predicts that "The most successful companies in the future will be those that learn to tap the deep wells of human ability, energy, interest, and loyalty which lie undeveloped and unused under the strata of their organizations." He gives you a kind of check list whereby you can judge how the climate for growth shapes up in your own company.

"MANAGEMENT is not the direction of things, it is the development of people" is an oft-repeated phrase of tremendous significance. A full realization of its meaning and truth on the part of top executives throughout the country, and resourceful action directed toward that end, would create the greatest industrial and business revolution the world has ever experienced. It would dwarf the development and utilization of atomic energy in the field of science.

Until recently we have been working on the "timber-cropping" philosophy that nature furnishes new stands of high grade trees and people to meet our needs. "Reforestation" has been badly neglected. Our vast human resources have been squandered. There lie before us great human assets that merely await the proper motivation to accomplish production miracles we have witnessed only in isolated situations.

Generally speaking, top executives do not believe that management is the development of people. Even if they give this thought intellectual assent, they do not fully understand its significance. Or perhaps their behavior muscles have not been geared up with the intellectual concept.

We have been reminded many times that "everything that an organization accomplishes is by and through people." This would presume an executive focus on human relations problems. But top executives in most companies do not really work at the human relations phase of management in ways comparable to what they do in the more tangible phases of sales, engineering, research, finance, and production. I think you will agree this is true. Why? Executives do not really believe or fully comprehend that "Everything an organization accomplishes is by and through people." Rather, they may think it is accomplished through machines or formulae—or possibly by gremlins or fairies.

In most companies, employees' wages and salaries constitute a good share or very large part of the expenditures out of the sales dollar. Ordinarily, top executives do not spend a proportionate amount of time on the matters of selection, training, development, and motivation of the group taking that much out of the sales dollar.

In all fairness it must be said there is an increasing awareness of the fact that "management is not the direction of things, it is the development of people," that "everything that an organization accomplishes is by and through people," and that increasing attention to human relations problems is becoming a matter of vital concern to top management people.

One of the finest expressions of top management conviction was made recently by Mr. W. W. Sebald, President of the Armco Steel Corporation:

"Managment may have the best policies and principles that can be written, but they will be only as effective as we make them. . . . Every member of management needs to work on the personnel staff all the time. . . .

"Of course there will always be human relations problems, for as long as we have people on earth we are not going to have heaven on earth. The very fact that this is true is the reason we need executives with broad understanding and leadership ability.

"We need leaders who know how to make a plant the warm human kind of a place where a man is glad to go each day. We need leaders who know how to develop a spirit of participation and interest. The spirit is there if we will create the atmosphere and the environ-

ment and give it an opportunity to grow. This is the grass roots of human relations in industry.

"In the field of personnel administration, management can delegate responsibility, but it cannot delegate its personal interest. You who are engaged in human relations need the interest, the encouragement and example of the top executive no matter whether it requires 25% or 100% of his time. As the head of the crew, Mr. Top Executive is the one who should chart the course and set the sails."[1]

Organized training programs in business and industry as a factor in growth have been given rather sporadic attention in most companies during the past half century. Most of the writing and talking about training and developing employees, supervisors, foremen, and higher management personnel has been in terms of methods and techniques. Important? Of course. But perhaps we have not given adequate attention and consideration to the environment in which these techniques are applied. This environment might be characterized as the climate for growth.

If the climate for growth is not right, then the best laid plans and techniques will be much less effective—or completely ineffective. What are some of the factors that stimulate or retard individual growth? Each reader will have personal knowledge of, or will have himself experienced, a variety of factors and situations that have tended to blight or promote the desire, willingness, and ability of himself or his associates to increase their knowledge and skills and to endeavor to apply them at work.

Factors Affecting Growth

Generally speaking, we can say that the prime conditioning factors for growth relate to the management philosophy and attitudes of the board of directors and the top executive group. Such philosophy and attitudes are expressed in many ways and in many areas. Perhaps some of the more important aspects can be itemized as a sort of check list by means of which top executives can ask themselves some basic questions and make their own judgments about the climate for growth in their particular companies.

Is the dominating motive of top management in the company simply profit for the stockholders? Or is there a broader concept widening the responsibility of the company to the community, customers, employees, and the economic society within which it operates? If the management drive is basically toward profits and profits alone, there is likely to be scant attention to the encouragement of individual growth at any level of the organization. On the other hand if the managerial concepts embrace the larger areas of responsibility, it is likely that under such an enlightened point of view there will be recognition of the fragile substance of human fears, hopes, and aspirations.

Management Objectives

Have the company's basic objectives in the human relations field been formulated and published to the entire management group? Does everybody on the management team have knowledge of what the company is trying to accomplish in this phase of management responsibility? Or is there just a vague intent to do the right thing and treat people fairly?

Objectives with respect to relationships with employees are not any more difficult to think through and formulate than are objectives in other fields. Fast-moving, fast-thinking executives, however, who are more familiar with the tangibles of engineering, production, and sales are not so likely to see the need for them. But they can do a creditable job once they realize the desirability of a positive declaration of goals to work toward.

"As a man thinketh, so is he." And as a man thinks so he acts. Everybody in the company judges very quickly from the attitude and action of the top management group whether human values and feelings are given much real consideration. As one foreman expressed it, "The men in the shop think top management don't give a damn about them." And he continued, "Most of the men say that the pretty words in the personnel policy statement are just a bunch of hog-wash." So the final questions about objectives and policies are, "Does the management team make them a living document?" and "Does top management set the example of constantly trying to do better?"

By providing the opportunity to work and earn a living, top management has a right to expect from all executives, middle and lower management, and from all individual workers a substantial measure of competence, job interest, effort, and loyalty to the organization. In a competitive economic system where constant improvement is required of every company just to keep the same place in line, there is the right to expect constant improvement from each individual just to hold his job. But these expectations on the part of top management are not usually fulfilled. Therein lies a good deal of the disillusionment and bitterness of many executives —"Most of the employees act as if they don't give a damn!"

In the fraternity of the underdog, any gratitude for the opportunity to work fades quickly and may soon be supplanted by feelings about rights. Obviously it is difficult for executives to be objective about such a situation. But the burden of solving the problem falls upon management—there aren't many statesmen making $1.50 per hour. And if the atmosphere is one of recrimination, that is deadly for both growth and cooperation.

In your company do you just stand on your prerogatives and expectations? Are you getting the full measure of competence, effort, loyalty, and improvement, or just half, or a bare minimum? WHY? Are you yourselves really working at the problem of trying to improve understanding, eliminate real or fancied grievances, establish greater feeling of mutual respect, confidence and trust, and stimulate a genuine desire on the part of all to give a high degree of cooperation?

Attitude Toward People

What is your basic attitude toward people? Are they looked on as important, contributing associates, or as unnecessary expense that somebody ought to get rid off? It may be a little too much to expect, to quote Seebohm Rowntree, that "He who seeks to lead men must love the men he leads." But at least there must be a substantial measure of sincere respect for the "dignity of man" which constitutes the sunshine in the company areas of operation. Nobody is very apt to yearn or strive for continual personal improvement in an environment where he feels that he is

[1] *Address at a National Industrial Conference Board Meeting, January* 19, 1955, *New York City.*

just being used as a tool by someone higher up. In a multi-unit operation recently, a troublesome but potentially valuable young man was brought into headquarters. After his case had been carefully and patiently reviewed, and a reasonable adjustment worked out, the young man remarked as he left to return to his place of work, "I've been in the Company for over seven years. This is the first time I ever knew that anybody cared."

Is the climate authoritarian? Do people generally have the feeling that top management wants to be surrounded by people who just do as they are told? Is the real thinking to be done only by the select few at the top? Or is there a definite management policy, such as in the Esso Standard Oil Company, where it is explicitly stated: "We believe that better results come about through seeking a balance of viewpoints and through mutual sharing of problems by the people affected." Or as in General Foods where all management and supervisory personnel are advised in the basic employee relations policy that:

"Employees should be encouraged to express their views on matters affecting their jobs and interests; consideration should be given to their views before reaching decisions materially affecting their jobs and interests; and all those who direct the work of others should see to it in the daily operation of our business no one is ignored on those things about which he thinks he has a right to be consulted."

Participation Invited

Here is, undoubtedly, the most important factor in the climate for growth. Where top, middle, and lower supervisors sincerely invite the ideas, suggestions, and comments from their immediate subordinates, there is the spark of life. There is the most basic of motivating situations. If an employee frequently experiences that kind of friendly recognition and stimulation, he is challenged to stretch and grow in a big way.

This is what the Charles Beck Machine Corporation of Philadelphia says to its employees, both shop and office, under the heading of Participation in Management:

"Management is well aware that employees have a vital interest in management decisions affecting them. It also realizes that employees have valuable experience, knowledge, and opinions which should be brought out in considering the facts on which the decisions are made. . . .

"While the ultimate decision on any matter must necessarily be made by a responsible member of management who will be held accountable for that decision, the welfare of the Company and employees requires that the knowledge and experience of employees shall have a real part in shaping such decisions."

A Participation Policy

While members of the management team below the top executive level are presumed to have a real share in the managerial processes, one of the few companies which has formally stated a basic policy in this specific area of participation is Hoerner Boxes, Inc., of Keokuk, Iowa:

"It is the policy of the Hoerner Corporation to extend to its top level and junior executives the maximum opportunity to share in the study, review and decision-making on management problems as one method to stimulate their interest in a broad range of management matters and further develop their abilities. This means that while the right and responsibility of ultimate decision rests with the Chief Executive of the Company, each management person will be given the opportunity to contribute ideas, suggestions, and exercise judgment on a wide variety of high-level management problems: (a) Where the problem relates directly to his assigned duties and responsibilities; (b) Where the problem touches to a substantial degree upon his assigned areas, and (c) Where the study and review of the problem—even though not related to his assigned areas—would serve to develop his insight, understanding and general business judgment.

"The operation of such a policy may be expected to produce the following beneficial results: (1) Develop a greater unity in the management group by utilizing the skills and judgment of all members of management more fully in the solution of problems which are general in scope. (2) Promote a broader understanding of the business. (3) Provide for the best possible solution to problems. (4) Insure adequate attention to each function of the business — sales, production, procurement, engineering, personnel, public relations, advertising, etc. (5) Provide an avenue which will help to insure the continued growth, development and progress of the Company. (6) Result in better communications up and down the line."

The principle of participation as exemplified by "consultative supervision and management," "participative management," "bottom-up management," and "multiple management" is, perhaps, the greatest integrative process in the human relations field, and provides the maximum motivation for individual growth and development at all levels of organization from vice president to the lowest occupational skills.

Closely allied to the matter of participation is communication. Do you give employees information that stimulates job interest, pride in the Company and its products? Have you let them know about the order you just failed to get because the customer wasn't satisfied with your quality and service? Did you share with them the letter from the customer expressing appreciation for an expedited shipment? Do employees feel that their ideas and suggestions are really welcomed by the company, and that you pay serious attention to them? Do they think it is worth-while to think about the job and try to come up with some improvements?

Communication Encouraged

Do employees believe that the company is sincerely interested in what they think and feel about the job and the conditions under which they work, and is the company interested in making improvements on its own to try to make the company a better place to work?

No better incentive to individual self-improvement could be had than to live in an atmosphere in which it is evident that the company as a whole is striving for improvement. Opinion surveys thoughtfully prepared and carefully followed through are one positive means of working at that problem. Here is what one company president said to his employees at his widely scattered plants at the time of an opinion survey:

"While we believe and intend that

our lines of communication should be free, clear and adequate at all times, it is recognized in our Company as in others that the *up* channel is not as good as the *down* channel. We want to strengthen our channels of communication just as we want to continue to make improvements in our whole personnel administration program to make the Company a better place to work. Consequently we are asking you to fill out the attached questionnaire frankly and honestly. . .

"No one in the Company will ever see any individual questionnaire. We will see only the summary of the results. This final and important phase of the survey procedure is dependent upon your registering your personal and sincere points of view.

"I can assure you that we will not be unduly complacent about any areas in which there seems to be general satisfaction; and, on the other hand, we will not interpret as disloyalty to the Company any expressions of opinion which indicate some rather unsatisfactory conditions as you see them. In fact, the expression of your honest opinions will be considered as a kind of basic loyalty to the Company whose best interests you have at heart."

In your Company, is the up-channel clear, or is it clogged with self-protective baffles at each organization level?

What is the point of view about mistakes? Are they never to be forgotten and brought up to face the particular individual at the most opportune, or inopportune times? Has that practice set the whole management and supervisory group on edge, put them on the defensive so that nobody is willing to stick his neck out once in a while, do some carefully thought through experimental work, take an occasional longshot, try something new, or take a prayerfully calculated risk? Or are mistakes considered the basis for frank acknowledgment of error and turned to constructive use—what can *we* learn from this experience, and how can it help *us* to do a better job?

Type of Discipline

The attitude that management personnel has toward discipline is a very important factor in the climate for growth. Where there is reliance primarily on the negative process of warnings, implied threats or "police action" something very vital is lacking. Are you continually telling employees what they should be doing—how they should behave on the job and treat company property?

Are you continually telling employees what they should be doing?

What is the feeling among your management personnel with respect to their immediate subordinates? Do they have a "sit back and show me attitude," or do they look upon themselves as the "assistant-to" their people as expressed in the management philosophy of the Jewel Tea Company? Is it "go and get 'em," or "let's go and get 'em"?

The "assistant-to" philosophy does not mean that each supervisor has to carry his subordinates on his back. But what a great difference in the climate for growth if a man is supervised by a higher level person rather than a critic.

One of the tests of leadership in any civilization, nation, or organization is how it deals with minority groups. In every unit, of course, there is the independent thinker—the "yes-but" or the "no" man or woman. Is this individual considered to be out of step, incompetent, disloyal? Or is he considered the symbol of our highly touted rugged individualism—the lone wolf, the man with the courage to speak his mind, the representative, perhaps, of residual and latent skepticism among others in the group? Does his attitude on this particular problem suggest that perhaps there should be more thorough exploration and thinking through of the problem? Or do you shove him aside as an obstructionist and go ahead?

If top management expects lower management people to really believe that a great part of their responsibility is to develop their people, help them to learn and continually improve their ability and performance, there must be some recognition and reward for competence in that particular area. Larry Appley's message on "Talent-Builders" says all that needs to be said on that subject: "We have incentives for stepping up production, increasing sales, reducing waste, improving quality, and developing new products. Why can't there be incentives for building management talent?"[2]

One example of non-recognition that has come to my attention recently was revealed in a remark by a company president, who said: "I have been trying to develop the thinking ability and broaden the point of view of my top management group through management conferences during the past several months. But the Chairman keeps asking me why I waste so much time in conferences. So I guess I had better stop or I'll find myself with time on *my* hands."

In the normal competitive situation where the more competent people are supposed to be recognized and rewarded, it is not possible, of course, for anyone to feel "secure" in the absolute sense. And such a feeling would not itself be a desirable thing since where there is complacency of a high order, there is not likely to be the inner incentive for growth and development. But the atmosphere of uncertainty and the dangling sword is definitely not conducive to basic self-improvement. A man may "run scared" but it is unlikely that he can "grow scared."

Sense of Security

Perhaps the reasonable degree of security is provided when an individual really knows:

a. What his job is
b. What is expected of him
c. The bases on which he is being judged and feels that they represent a fair basis of appraisal
d. That judgments about him are *group* judgments by his superiors
e. That the appraisal-counselling procedure is loaded on the constructive, helpful side.

This aspect of fundamental motivation for improvement is given too little

[2] *The "President's Scratchpad,"* Management News, *January*, 1955.

consideration in most companies. In all the management and supervisory opinion surveys I have ever conducted there has been a high negative response to the question whether there is a proper basis and program for evaluating the efforts, ability, and performance of individuals in the company.

There is naturally a reluctance on the part of top management to let people make costly mistakes. This means a withholding of full responsibility and authority in many situations. And it is no secret that ofttimes men in very high positions feel they are merely the "office-boy" for a dominating personality above them. In such companies at some time there comes a tragic realization that there is no second team. One of the more classic examples of this lack of delegation is the story of the man who was turning his business entirely over to his son; from that time on he was merely going to "sign the checks and make the decisions."

Attitude Toward Improvement

Is the top management attitude toward personnel development and improvement the "shot-in-the-arm" type, or is there a long-range plan, program, and continual follow-through?

It has been well stated that "no man is a hero to his valet." Similarly, among the middle and lower management group there is no abundance of hero worship. The halos around the heads of the men at the top are frequently dim. And it is totally unrealistic for higher levels of management to wrap the cloak of achievement around themselves and continually talk about or infer the vast need for improvement among the "boys down below." There is probably not a single training director alive who hasn't been caught up short sometime in the middle of a training course on some phase of human relations with this comment: "This is o.k. This is fine—but when are you going to give it to the boys upstairs?"

"O wad some Power the giftie gie us
To see oursel's as others see us."

There is no surer way to waste time and money on foremen and supervisory training courses than by having fine principles and techniques advocated which are out of line with the treatment which they themselves receive from higher levels of management. Recently the production vice president of a company took his whole group of foremen to hear an all-day, high-powered speaker on the fundamentals of good human relations and supervision. When the rosy picture was finished, the vice president turned to his group and said—"That's it. That's wonderful. Those are the principles I have been following all my life." The suppressed laughter which broke out in the mill the next day is still ricocheting within its walls. But the sad part of the story is that the vice president really believed what he said.

Expansive Environment Needed

It is hoped that the foregoing questions may be helpful to individual top executives, and to executive groups who may be concerned particularly with management development activities. They may provide the stimulus for more searching questions among those at high levels who "make the climate."

There are, no doubt, many more significant and critical factors affecting the climate for growth in any particular company. There are two essentials:

1. People who are able, willing and desirous of personal growth and improvement; and,
2. The environment which fosters and promotes such growth and development.

If the top executives in a company provide an expansive environment, the growth potential can approach its ultimate. If, on the other hand, the climate is restrictive, there will be a full crop of yes-men, buck-passers and frustrated personalities who will help the company on its way to a marginal position, merger with a stronger unit, or oblivion.

Where is the greatest area and possibility for improving a company's competitive and profit position? Undoubtedly it is in the area of human engineering—the development and utilization of the human resources in the organization. "Management is not the direction of things, it is the development of people." "Everything that an organization accomplishes is by and through people." We have barely scratched the surface in even the most successful companies. The most successful companies in the future will be those that learn to tap the deep wells of human ability, energy, interest, and loyalty which lie undeveloped and unused under the strata of their organizations. END

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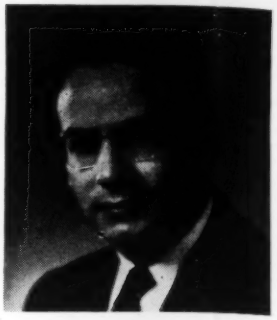
WALTER E. BRUNAUER has been associated with the Lily-Tulip Cup Corporation since 1944. Starting there as a salesman, with prior experience in teaching, real estate and advertising sales, he has held the positions of assistant to the vice president in charge of sales, director of sales research, director of sales training, and assistant sales manager. He has been director of sales personnel development since 1952. He is a member of the Sales Executives Club of New York, the National Society of Sales Training Executives (for which he is helping to prepare the "Handbook of Sales Training"), and a member and past president of the National Visual Presentation Association. He has published articles in the New York Financial Chronicle and Printers' Ink and given instruction on Salesmanship and Sales Management.



YOU KNOW—BUT DO THEY?

By Walter E. Brunauer
Director, Sales Management Development
Lily-Tulip Cup Corporation

Getting their ideas across to others effectively is doubly important for sales executives for they must communicate to the salesmen under them all they need to know not only to sell prospects but also to be more satisfied and satisfactory employees. From the sales viewpoint, Walter Brunauer discusses some of the barriers to effective communication, key techniques for achieving understanding and acceptance of your message, and a number of down-to-earth principles to consider in improving your overall communication effort as a manager. While he concentrates particularly on communication by the sales manager, what he writes can be applied as well by other kind of managers.

FORTUNE Magazine called its now famous series of articles on communication, *Is Anybody Listening?* It might better have been titled, *They're Listening —But Can They Hear You?*

I submit there's no question about anybody listening. *Everyone's* listening. They're listening because it's just good old human nature to want to know what's going on about us. This holds true whether we're at home or at work—particularly at work!

There are many things which can contribute to feelings of insecurity on the job, but few so potent as the realization that we don't know what's going on.

What we don't know we fear. Such fears initiate or contribute to already present feelings of insecurity and anxiety. The airlines now recognize this simple principle. That's why they take such pains to tell you, when you're on a flight, that you're "flying at 8,000 feet, at an air speed of 300 miles an hour" and that, "in exactly half an hour you'll be in Smithtown where the temperature is 72 degrees."

This is reassuring but not particularly spectacular information. Nothing out of the ordinary here, you say. The fact is that until comparatively recently this was considered *confidential information.*

By the same token the sales manager is beginning to realize the value of keeping his men well informed about any and all phases of the company's business which affects their activities in any way. Unfortunately, managers are only *beginning* to be aware of this. There seems to be a great need for an even greater attention accompanied by the application of practical productive measures. Ironically enough, one of the reasons this problem exists is because we in sales seem to have forgotten to use our own selling techniques in our communications with our people.

Are they listening? The answer is an emphatic, "Yes, by gosh!" But the real question is not one of listening; it is, rather, "*Can they hear you?*"

No, they're not hard of hearing. But the net effect could be the same. Why then shouldn't they hear us?

They can't hear us if we don't *tell them.* They can't hear us if we keep what we learn and know confined within our own little group. They can't hear us if we don't *explain the reasons behind our actions, our policies, and procedures* (particularly those which have an effect on the men's jobs, welfare, and future). They can't hear us if we don't make our instructions, and other informational communications, *clear* and *easy to understand.* And while I will concentrate here particularly on communication by the sales manager, much of what I say can be applied as well to other kinds of managers.

Yet it's important to everyone in a management responsibility that the people who work for him *do hear!* Their hearing or not hearing has a direct bearing on morale, sales productivity and company profits. And of course it has a bearing on your own individual progress as a manager, whether you're in sales or elsewhere. As a manager, you're judged by the same criterion applied to the evaluation of all managers —results! To achieve these results, a manager's job breaks down into two main tasks:

1. He must decide *what* should be done.
2. He must see that it *is* done—and done right.

Towards this end the sales manager is constantly initiating, generating, motivating and developing plans, procedures, campaigns, policies and sales strategies. But these things can't operate by them-

selves in a vacuum. The sales manager needs people to put them into effect. He needs the people who work with him and for him—in the office, in the plant, the warehouse. Most of all, he needs the help of his own men in the field. Here is where communications can and does play a major role in achieving sales objectives.

What exactly do we mean when we talk about "communications?" What *is* communications? I like Arthur Slade's definition: "Communication is a transmission system—transmitting the motive power of management down the line."

Communication bridges the gap between management and men, between ideas and action. It may be likened to a continuous circuit running through a responding audience. Like an electric circuit, it should light a lamp, or drive a motor—and not blow any fuses. The trouble is we *are* blowing fuses, too many fuses. In some cases it's because there's too much voltage at the top and not enough at the lower levels. In other cases, it's the result of too many messages but not enough communication.

What are the major barriers to effective communication? And what can we do about them?

Communication Barriers

1. One obstacle is failure to recognize the *need for* and the *importance* of good communication in the everyday conduct of the business. Despite the great amount of unanimity as to the importance of effective communications within a company, much of it has been left to chance and taken for granted. The problem seems always to be in someone's else backyard. "*Our* men always know what's going on. *We've* a small outfit—communication with us is *no problem.*" Etc.

It was while working in one of these "no problem" companies that a salesman discovered, after being "on the road" for five weeks, that for the last three weeks his plant had been closed down two days out of each week. And who told him? Right—a customer!

2. Another barrier is failure to recognize that communication is not an end in itself—just a *means* to an end. As Larry Appley, President of American Management Association, has so frequently said, "Communication isn't something separate and apart from management, it *is* management. Its true end is *effective* management."

In conversation with a sales manager on the communications situation in his company, he assured me that inadequate communications was one problem which fortunately he didn't have. *His men* received all kinds of communications from a variety of sources at the home office. Hardly a day passed but that each of his men did not receive a "fistful" of memos and letters from the Product Department, Sales Promotion, Sales Training, the Credit Department, and of course his own office. Furthermore they had several different types of periodicals which were issued weekly, semi-monthly, and monthly, all directed to the salesmen. No problem here.

Too many messages . . . Not enough communication . . .

This may sound like a contrived story manufactured to make a point, but take my word for it, in a meeting with some of his salesmen at a point hundreds of miles away, I discoverd that their chief gripe was (you guessed it!) —communications! They did not refer to it as such of course. What they did say was: "Why don't they tell us what's going on? Why do we have to hear about important changes from people outside the company, and from reading about them in the papers and trade journals? It makes us feel as if we're on the outside looking in."

Diagnosis? Obviously too many messages, not enough communications. Cause? Failure to recognize that communications is not an end in itself, only the means to an end.

This failure to see communication in its true perspective has resulted in some of us viewing communications as a problem solely concerned with devices, media, mechanics, and rules. The heart of good communication is none of these things. In a sense, it may be considered as a way of working with people. It's an aid to, but not a substitute for, good human relations.

If communication involved only the transmission of instructions and information via phone, letters, wires, and memos, there'd be little if any basis for concern. Unfortunately the mere mechanical transmission of an idea, regardless of the medium used, is no assurance the message will be *understood*, and if it is understood, *accepted*. We need both understanding and acceptance. Without them we're in the same spot as a radio or TV announcer talking to an audience with their sets turned off—we're just mumbling to ourselves and we don't even hear an echo.

Failure To Get Across

The sales manager of a company with national distribution and with 300 salesmen recently installed a new salesman selection procedure. It was well organized, based on sound principles and practices. Much research and thinking had gone into assuring a procedure which was valid and practical. This took the sales manager many months. During that time he became thoroughly acquainted with the developments in such techniques as interviewing, psychological testing, reference checking, determining the attitude of the family. At that point, it was as clear as a bell to him.

When he presented the procedure to his division managers in a detailed two hour session, he couldn't understand why their understanding was halting. He was amazed when a month later he received a memo from one of his division managers who wrote:

Dear . . .

"You know I have always done my best to be cooperative, but the new selection procedure has me over a barrel. I just don't understand it—and I am not very good at doing things I don't understand.

As you know, we're looking for a new man. I think I have finally found him. But in trying to apply the new procedure I realized I didn't know what it was all about.

I know you'll be happy to learn that this new man looks like just about

the best prospect I have seen in a long time. I hope he works out."

What this Division Manager didn't say was that the man being replaced, whom he had to let go after only three months with the company, was also one of the "best prospects" he had ever seen. Badly in need of an improved method of hiring he went back to his old hit-or-miss method of selection because he *didn't understand* the new method.

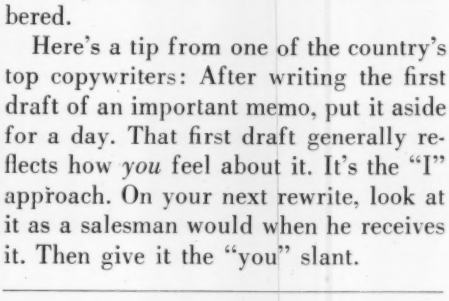
Obviously, understanding must be our first goal. If understanding is fuzzy, we can't very well expect efficient follow through. If the receiver of our communication has no clear-cut visualization of the end result he is to achieve, how can we expect him to do a good job? Obtaining understanding admittedly is no easy task. Anyone who has ever tried to teach, explain, describe or sell anything will quickly verify this statement. Words mean different things to different people. Officials in the Connecticut State Motor Vehicles Department, for example, claim that recently a woman was wandering around the office holding her operator's license in her hand. An inspector trying to be helpful told her to "stand in that line." "I can't, I'm married," she replied pointing to a sign that read, "Single Line Only."

Achieving Understanding

1. *Have a clear concept in your own mind first as to exactly what yau want to communicate.* Here is the *real* beginning of effective communication. To illustrate the validity of this point, you need only recall the last several times you dictated correspondence to your secretary. Chances are that under the pressure of other duties and time limitations (or sheer laziness) you gave some of it to her "off the cuff." Unless you're unusually fast on your feet in this type of thinking, you probably did what most of us do under the same circumstances—hesitated, stammered, re-traced, crossed out and started over. On the other hand when you took time out *before* calling in your girl to think through the points you wanted to make, your dictation and your message were not only clearer and easier to understand but reflected more accurately what you *really* wanted to say. No doubt about it, the *real beginning* of effective communication is a clear-cut concept of your message in your own mind.

2. *Use clear, simple, every-day language orally and on paper.* One of the biggest problems faced by sales managers today is "getting them to read what we write." By keeping the language of your communications simple, and by making it *easy* to read, you'll find that *more of them* will be read—and remembered.

Here's a tip from one of the country's top copywriters: After writing the first draft of an important memo, put it aside for a day. That first draft generally reflects how *you* feel about it. It's the "I" approach. On your next rewrite, look at it as a salesman would when he receives it. Then give it the "you" slant.



Know what you want to say . . . before you say it . . .

Here's another suggestion. Have all the memos which are sent from the various people at Headquarters to your salesmen, sent to you at home or wherever you're staying when you're on the road. I'll guarantee you'll never appreciate more the need for less quantity and more quality—and the advantage of clear, easy-to-read, easy-to-understand messages.

3. *Include the complete message.* If the nature of the communication and the circumstances under which it is given leave the slightest room for doubt as to where, when, why, how, or who—by all means include this pertinent information. It will save many errors and much confusion.

Difficult as it is to get understanding, getting acceptance is even more so. A man can understand exactly what it is you want him to buy (whether it be a product or idea) yet not buy it.

Achieving Acceptance

With a product we might shrug our shoulders and go on to the next prospect. No such easy solution is available when it is an idea we're selling and the man we're selling it to works for or with us and his efforts are needed to put the idea into effect. If he doesn't "buy it," his cooperation and enthusiasm will be visibly affected. Hardly a day goes by but that some salesman, somewhere, isn't saying about a particular policy to a customer, "I think it stinks too. Don't ask me *why* those birds at headquarters have this policy! Who knows? I can tell you this, they never asked *me* about it!"

It may not be practical at all times to check salesmen about their opinions on a contemplated change in policy—but there is nothing more impractical than having them interpret policy to customers and not know *the reasons for it.* The salesmen may not always agree with the policy but at least they'll know the *real* reasons for it and not be in a position where they have to conjure up their own. Disagreement with policy generally vanishes when men are told the reasons for it. So tell 'em *why* when you can, and if there's some valid reason why you can't tell 'em why, tell 'em why you can't.

Acceptance can be achieved in many other ways, depending on what it is you're trying to sell. Surprisingly enough, even sales managers frequently overlook the use of the very techniques their men use to sell products successfully—selling the *benefits.* Point out the specific benefits to be gained (if it's a new procedure for example), the time saved, the reduction in detail, the gain in customer goodwill, and faster delivery and you'll be amazed at how much they'll buy!

Most of what has been said so far deals with communication difficulty, its nature, and some of its causes. What about the solution? What can you as a sales manager do to improve communications in your shop?

Here are several suggestions, none of them particularly revolutionary, but all of them offered on the premise that sometimes it's more important to emphasize and clarify the apparently obvious than to elucidate on the obscure.

1. *Share Information Yourself*

Put yourself in the shoes of those with whom you work and with whom two-way communications are a must if the right hand is to know what the left hand is doing. I refer to the people in your own department and the people in such other departments as manufacturing, finance, and accounting, and the people in advertising, sales promotion, and sales training. I refer to your salesmen and their field managers. I refer to the man you report to, whomever he might be. Put yourself in the shoes of each of these people, from a communication standpoint. Instead of merely agreeing that good communications is a good thing, share your information. This will do more good than any other single thing you can do!

Concise Reports Helpful

From month to month as you plan for and achieve various sales objectives, you are building a body of information which is of interest to many people—not the least of whom is your boss. Why not share this information with him by wrapping it up in a concise Monthly Report of Sales Activities? The same report could well be distributed to the people in your department and to the men in the field. They share in the development of the business. They should share in the record of its progress.

It's still the same old story—*actions speak louder than words.* You'll find that when you share information, others will follow your lead and in turn share with you. If you exchanged with another person, one dollar for another dollar, neither of you would be the richer. But when you exchange ideas and information, both of you are enriched and both have more than before.

2. *Encourage Feedback*

Everyone knows that to be effective communication must be on a two-way basis. As I write this—without the opportunity to get your reactions as you read—I can be at most only 50% effective. The same goes for a speaker who addresses an audience and permits no questions or discussion.

Getting information up the line, however, is a much more difficult proposition than getting it down. To get it down, you as the sales manager need only give the word, and like a short beer, down it goes! Getting it back up the line presents your salesmen with several perplexing problems. Chief amongst these is the need to go "through channels." By the time they have finished contemplating the possible reactions of superiors, through whose hands their communication must flow, there's a good chance they'll wind up deciding it's just not worth it.

The attitude of the sales manager toward such communications is another factor with which the salesman must contend. Unless the men know that communications from them, whether they be suggestions, competitive news, customer reactions to company policies, criticism of certain sales plans or procedures, or criticism about customer service—unless they are specifically given to understand that communications from them *are welcome*, they just won't communicate!

. . . When you share information others will follow your lead . . .

The President of a large paper company in the East, instrumental in getting a stock purchase plan for his employees, including the salesmen, was disappointed when he failed to receive even one letter from a salesman. The plain fact was that at no time previously had he ever indicated he would *welcome* correspondence from salesmen. On being checked, most of the men admitted it just never occurred to them that they should write him. It just wasn't being done. Others who thought about it refrained after consideration, on the premise that it might look as if they were apple-polishing.

In addition to open encouragement, the men need to be supplied with channels which will make communication with you or your assistants an open and accepted matter. Salesmen's publications, suggestion systems, periodic narrative type reports (including a special selection on "Observations, Comments and Suggestions") are but a few ways to provide such channels.

3. *Set Up A Coordinator*

Call him anything you'd like but give someone (preferably the assistant sales manager) the responsibility for keeping tabs on the circuit at both ends of the communications line between the office and the field sales force.

Responsibility for seeing to it that the men receive the information they need would be his. Also, he should see to it that requests for information from the men are handled in a reasonable time. He could be of aid in regulating the *flow of communications* to the men. By having all outgoing material cross his desk prior to release, he can be sure the men are not swamped with material one day and get nothing the next.

Coordinator, Not Editor

His job would not be to edit correspondence, merely to keep in touch and to see that the field sales force gets the information it should.

4. *Tell Them What They Want to Know*

In most cases information to the field sales force is of a type directly connected with their immediate tasks as salesmen. We generally tell them what we feel they *need* to know to do their jobs, but they want to know more — much more! Subjects about which they're curious range from the most intimate company plans for the future to wanting to know more about the personal lives and qualifications of headquarters personnel. But most of all they want to know about *themselves*—how they are doing, where they are going, how they can get there faster. The question, "How am I doing?" is perhaps the one which is most frequently in the forefront of a salesman's mind. Unfortunately all too often this question, which is vital to his morale and his productivity, goes unanswered.

A company with headquarters in Pittsburgh is today without the services of a salesman they had tabbed as a "comer." He left after only a year, to go with another company, after they had made him an offer which was not too much better financially than what he had been making. They were impressed, they said, by the way he had handled their account and by the good reports they had about him from others in the trade. In short, they thought he was doing a good job and naturally wanted someone like him to do the same for them. The trouble is that in all the time he had been with them no one from his own company had said a word about the quality of his work. He feared this meant that perhaps he wasn't doing as well as they expected. Or perhaps they didn't know or didn't care—or both. So because someone forgot to tell him how he was doing, this company not only lost a good man, but had the expense of recruiting, selecting, and training a replacement.

5. *Use Individual Counseling*

Discussion with the individual salesman is without doubt one of the most effective communication methods available. It has within it the potentials for achieving the best possible results, particularly when it is used as a means to a worth-while end.

To begin with it's man-to-man, face-to-face. It's informal and it's on a two-way basis. Used in connection with an annual or semi-annual appraisal of a salesman's performance, it presents a wonderful opportunity for both manager and salesman to get to know each other better. Handled properly by an alert manager who knows the importance of listening and has mastered the art, discussion with the salesman about his performance offers one of the most powerful means around for constructive motivation.

Appraisal Interviews

In a session of this type the manager learns more about his salesman's ambitions, interests, opinions, problems and plans. In turn Joe Salesman is brought up-to-date on what is expected of him, how his job performance matches up with expectations, where he is strong, where he needs improvement and specifically what needs to be done in a program of development to achieve the desired improvement.

By setting up objectives to coincide with the man's own objectives and by mutually working out a plan for his (self) development, we put to work the inner driving forces of an individual in an organized, directed manner. This I submit, when done with complete integrity, is motivation, not manipulation, and on the highest of levels.

6. *Get 'Em In The Act*

Drawing on the thinking and experiences of the men who work for us whether they be inside or outside, is another method which, despite its potential for producing good ideas, is frequently ignored. Sales managers, more than any other group, have known and utilized this technique for many years via sales meetings.

Tell them what they want to know . . .

In the past however, the average meeting was mostly a one-way proposition. The manager talked — the men listened. While that kind of meeting was and is an excellent medium for demonstration, visualization and explanation of new products, plans and policies, to the extent it was kept on a one-way track it suffered.

In recent years we have seen this practice reversed and the trend very definitely now is toward increased participation and more freedom to exchange opinions, ideas and experiences. This makes sense from every angle, everybody gains. Management learns from the men not only their thinking but the thinking of the customers with whom they have regular contact. The men learn from each other and from management. More and more sales managers are using this method to solve problems formerly handled almost exclusively by headquarters personnel.

New Product Discussion

A company in Connecticut, contemplating the need for a new product, recently called its salesmen together, and discussed with them:

1. The need for the type of product being considered.
2. The specifications it should have after they had agreed such a product was desirable.
3. The best methods of distribution.
4. The sales policies necessary.
5. The selling problems they anticipated would arise.
6. The type of training information and promotional material which would be needed.

In another case a company found itself in trouble with its customers because promised delivery dates were not being met. The sales manager could have raised cain with the department heads responsible and demanded they solve this problem immediately. Instead, he arranged a series of conferences attended by key people from the credit, warehouse, customer-relations, and customer service departments, together with several of his salesmen. The problem was discussed, ideas sought and evaluated, and a satisfactory solution was worked out. Nothing sensational here, just another case of "getting 'em in the act."

After all, who is more qualified to come up with solutions to everyday problems than those whose jobs take them into everyday contact with these same problems? All too often these people are not even consulted. Getting 'em in the act pays off!

7. *Try "Brain-Storming"*

In each of the incidents cited above in which the men were asked to participate in the solution of a common problem, a technique referred to by its practitioners as "brain-storming" was used. A product of Alex Osborn's work on creative thinking, it encourages the offering of ideas by eliminating comments about them which could in any

way be construed as critical. The conference leader, with the help of a secretary (selected by the group), who jots down the ideas as they are submitted, encourages everyone in the room to contribute ideas on the problem at hand, "off the top of their heads" and without regard to how silly they might seem at first glance. Quantity of ideas, not quality, is the first objective.

Comments such as, "It will never work," "We've never done that before," "They'll never buy it," are considered as "killer phrases." The striking of a bell by the conference leader shuts up anyone who deliberately or otherwise uses "killer phrases." In this way many suggestions are thrown out which might otherwise be withheld for fear of possible negative comment, or because of a too self critical evaluation. After corralling as many ideas and suggestions as possible, the next step is to evaluate and screen out those which seem the best. Try it some time. It's not only fun, but extremely profitable to all concerned.

Put Communication To Work

Communication is a continuous round-the-clock, never-ending proposition. Like a huge waterfall it goes on whether we attend to it or not and whether or not we recognize its importance. And like the potential power inherent in a waterfall, we have the choice of putting this power to work for us or of allowing it to go to waste. In a period which is becoming more and more intensely competitive it would be economic folly to let the latter happen.

On the other hand by taking advantage of the potential benefits available through effective communication—such as improved morale and increased productivity—you stand not only to improve the over-all efficiency of the sales department, but by setting the example, hasten the day when good communications will permeate the entire company.

Any sales manager, truly desirous of improving communications in his shop, can do so if he will but recognize and understand the barriers which stand in the way of effective communication and use some of the practical measures available to him for removing those barriers.

They're listening, Mr. Sales Manager. It's up to you to make them hear. END

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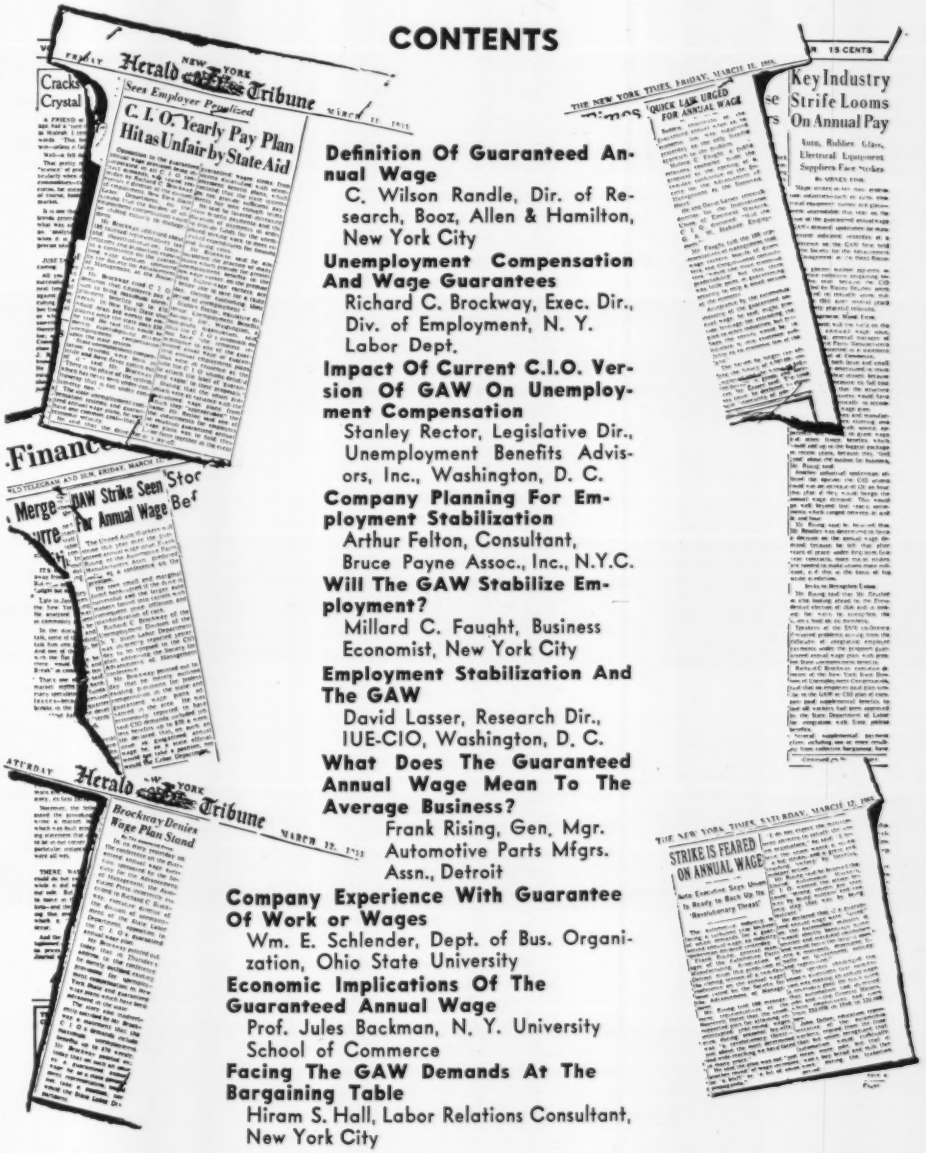
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GORDON VAN ARK has worked as a central staff specialist and as a consultant on organization planning and development with both small and large corporations in the food, automotive, and financial fields. Born and raised in Holland, Michigan, he graduated from Columbia University in 1932. He was with the FBI, Standard Brands, and the Beneficial Management Corporation before taking up work with General Foods in 1944 in organization development. There, for seven years, he was director of the central staff organization development division. He subsequently assisted in the reorganization of the Studebaker-Packard Corporation. He is now associated with Cordes and Company in New York City on organization planning and management development.

Should You Replan And Reorganize Now?

By Gordon Van Ark
Cordes and Company, Inc.
New York City

After reviewing the steps involved in corporate and organization planning, Gordon Van Ark presents case histories showing how this planning is being done and what results can be obtained. He presents a number of problems symptomatic of management organization and personnel faults, and stresses the distinction between overall corporate planning, which he holds should come first, and organization planning, which grows out of a well-constructed corporate plan.

One of the traits of successful executives is a keen "sense of timing." They seem to have a feel for time, a grasp of when and how to act, which often amazes associates.

These men tend to become the presidents and general managers who continue to show their sense of timing by spending many hours on *forward planning* despite the usual load of today's problems. They have learned to plan their own work so that they, personally, need not be involved in every detail of today's affairs. They have developed the ability to "look forward." This distinguishes their actions and achievements from "run-of-the-mill" operators. Perhaps that's why such men often are selected to be chief executives—they have the courage and energy to look far ahead.

One of the ways of telling whether *you* are "*forward-time conscious*" is this: Can you give an account right now (without reference to somebody else's reports on the subject) on whether or not you have the forward planning, the kind of organization "blueprint," and the quality of management men you should have to reach your goals in the next five years, 1956 through 1960?

This requires the ability to take a good look ahead, beginning with a look at your company's overall future . . . and in the process analyzing whether or not you should replan your organization structure, and the management which must make your forward plans work.

Taking "time out" to look ahead like this is, of course, imperative. Planning lead times far enough in advance is certainly among the secrets of business success. But *how many do it . . . in time?*

For instance, look back at your planning and organization of five years ago. Compare them with how your operations look now . . . and how your organization structure and management now appear. Do you wish today you had planned some improvements several years ago? Would you be better off now if you had devoted more time to planning ahead?

Or look ahead five years and ask: "Can we go on operating for the next five years with the same overall plans and policies, the same organization structure and practices, the same management personnel, and the same assignments of responsibilities, during the period 1956 through 1960? Can we actually do this and come out where we say we will?"

You may have heard chief executives say that they know they have a good man working for them when there is evidence the man "is able to see a problem and to recognize it for what it is."

For instance, it is often true that able executives — "clever operators" in solving technical problems of engineering, manufacturing, sales, or finance — continue to have difficulty in recognizing organization problems, and in understanding their real causes and cures.

On the other hand, we all know managers who immediately recognize organization and personnel problems in activities that are going sour, who can put their fingers on the hidden causes and come up with the right corrective actions. Can you properly proportion corrective actions between (1) *the organization* and *the "people"* elements, as compared with (2) elements such as facilities, processes, tools, or procedures?

Not every executive can tell the difference, can recognize the organization and personnel faults that are many times the underlying causes of things going wrong, and actually face up to them.

Take, for example, problems such as these:

Excessive pressure, tension, and dissatisfaction.
Deadlines not met.
Planned profits not realized.
Confusion over timetables.
Constant evidence of inability to sort the "minnows from the whales."
Authority-grabbing.
Bottlenecks.
"Run-arounds" in which the line of command is not followed.
Top men spending time on decisions they should leave to subordinates.
Too many meetings, with too many executives at each meeting.
Good executives leaving the company.

The chances are that *more than half* of the causes of these situations *are in people*—not in facilities, procedures, etc.—but in people and the way they have been organized to do business, beginning with "the boss." Just as in your plants, where safety engineers can show that more than 80 percent of industrial accidents are caused by *man failure* . . . so can running down the reasons for the cited problems uncover heavy percentages of man failure, compounded by organization weaknesses. They are executive personnel problems, not "technical" problems.

Importance of Organization

There is nothing new about this. In the July issue of *Advanced Management* a reprint of a 1925 paper by the famous Mary Parker Follett appeared. In that paper, entitled *When Business Management Becomes A Profession*, she discussed an acute need of business:

"Organization is the word most often heard today in all discussions of business development. The greatest weakness in most industrial plants is seen to be organization. The organization engineer is the one most in demand. Do you not think that the recognition of organization as the chief need of business is rather interesting, when we remember that conscious organization is the great spiritual task of man? . . . Organization is what separates mediocre endeavour from high endeavour. No one has a better opportunity than the business manager to take part in this, the highest endeavour of the human race."

What Mary Parker Follett said in 1925 is still true in 1955 and will be in 1960. Many of today's "business managers" indicate their agreement that *"Organization is what separates mediocre endeavour from high endeavour,"* for many are spending their own precious time on this part of *overall corporate planning.*

As a matter of fact, there has been a growing realization that all sizes of companies need to have more time spent, by *senior* talent, on their problems of forward-planning, organization structure, and practices, as well as management personnel. What was once thought by some to be a luxury on the part of large concerns "with money to burn" has become more regular practice, because it helps to keep money from "burning." Good managers are hard to find . . . and even the best managers need good planning and good organization, *in all its forms*, to give them the proper conditions "to do business."

Part of the current interest in organization planning, as compared with executive development, seems to be a feeling that executive appraisal and development programs (in the limelight in the past decade) might have fared better and provided richer payoffs if at the same time forward-looking blueprints of organization, including operating policies, and organization charts had been formulated. Their presence sets a better stage for dealing with executive appraisal and development.

Some of the symptoms of faults in organization and personnel referred to above may have looked familiar.

In addition, you may be one of the increasing number who recognize the full implications of the problems listed, particularly the heavy percentage of corrective actions apt to be needed in organization and executive personnel.

Corporate vs. Organization Planning

But you still have the primary and prior problem of replanning your company's overall forward course for the next five years . . . *so that your organization planning and your management development are carried on in a framework and a climate providing a chance of success.*

Mark Cresap, Executive Vice President of Westinghouse Electric Corporation, commented on this point in his paper in the January, 1953, Bulletin of the National Association of Cost Accountants:

"A sound and thorough (forward-planning) program is an essential preparation to delegation and decentralization (i.e., to organization planning). . . . The relationship between adequate long-term planning and certain organizational characteristics now receiving widespread and intensive emphasis—delegation and decentralization—is of greatest importance. The benefits of attempting to spread initiative throughout a company cannot be soundly realized without the proper framework of plans which serve as the guiding instruments to assist all concerned in the direction of their own efforts. A sound and thorough (forward planning) program is an essential preparation to delegation and decentralization. Attempting to achieve these organization ends without the availability of detailed and well understood plans, will inevitably result in confusion, conflicting efforts and working at cross purposes internally."

First Things First

Mr. Cresap's experience with corporate planning (and with how organization planning develops from it) leads to the advice that: First of all, the corporate forward plan must create a framework of company objectives and policies on future development, within which division management, or heads of functions can plan and work. Then, and only then, can organization planning be properly carried on to work out the management, the actual operating policies, and the top operating procedures needed.

It is one thing to be able to recognize the true implications of symptoms. It is another matter to be alert to time, in its forward sense . . . and to the need for overall corporate planning of operations five years ahead, so there can be *a framework of company plans, objectives and development policies . . . within which accurate organization planning and building can be done.*

Not long ago I had an assignment to help establish a corporate-planning activity. In the process of handling the assignment, I contacted numerous sources for information on existing programs of formalized corporate planning.

My search for "the real thing in action" brought me to the efficient plan-

ning activity at Westinghouse Electric in Pittsburgh. Their corporate planning method and procedure is a study in progressive management practice.

Guides to Corporate Planning

While space is lacking for all the details of how Westinghouse has set up their planning, here are some excerpts from "Guides to Long-Term Planning," covered by Mr. Cresap in the same NACA Bulletin, which show how corporate planning must precede organization planning:

A. "*The purposes of corporate planning are five:*
   1. To raise the sights of an organization.
   2. To provide the stimulating effect of concrete goals.
   3. To assure teamwork effort toward those uniform goals.
   4. To provide the necessary lead time for achievement of those goals.
   5. To furnish bases for annual budgeting in a more purposeful manner than by reference to historical performance or static standards.

B. "*Sound long-term business planning consists of:*
   1. The establishment of performance objectives.
   2. The writing of policies governing the future development of the business.
   3. The working out of programs for their achievement.

C. "Taking up each of the three above, in turn:
   1. *Performance objectives* of a business . . . should depict the character, composition, and mix of the business which it is desired to achieve. Questions to guide thinking: Is there any desired change in the basic type, character, or purpose of the business?. . . in the products or services offered?. . . in the price niche to be filled? . . . in market coverage? . . . in the relative emphasis to be accorded components, lines, or services? *Objectives selected* should be reasonably attainable. They should cover the share of the market to be obtained, the dollar sales volume, the profit margins and the return on investment. They should be set up for the enterprise as a whole and for each of its components, departments, and product lines. They should provide the framework for annual budgets (which should each present the extent of the planned five-year accomplishment to be achieved in the year budgeted).
   2. *Policies* should cover all important factors on which development of the business will hinge. They are the "by-laws" of the long-term plan. Examples of subjects covered: Quality, pricing, distribution, sales promotion, buying-versus-making of materials or components, labor relations, public relations, finances, etc.
   3. *The program* should be comprehensive and thorough, to obtain the objectives within the policies.

D. "The following are illustrative of the most important developments to be programmed *in support of any planning:*
   —Organization structure.
   —Personnel (Future requirements to meet new and vacated positions, selection of replacements, their development, and their motivation).
   —Physical facilities.
   —Research and development programs.
   —Material supply.
   —Distributor and dealer organization.
   —Financial requirements and how to meet them."

Note the point made regarding "the most important developments to be programmed *in support of any planning.*" The first two listed are "organization structure" and "personnel."

Corporate Planning Comes First

These three questions may help to establish *overall corporate planning* in the right perspective with *organization planning:*

1. Are our performance objectives, development policies, and forward plans determined?

2. Have we then taken a careful look at our organization structure, operating policies and procedures, and at the management which must attain our objectives?

3. Do we have the right team and the right "playing field" for operations... i.e., an adequate framework or "blueprint," of organization as to authorities and responsibilities, operating policies and procedures, organization charts, and lists of executive duties . . . so that our management knows how to work together to get the job done right and on schedule?

Organization planning (or "replanning," as we could call it) is simply the process of working out an up-to-date "blueprint" so that everybody knows "who does what" in line with stated "ground rules."

In a way, organization planning helps to tell the "players" what their "numbers" are, and what their positions are. And it helps the players "to keep their eyes on the ball" by telling where the ball is likely to be, and who should be carrying it *now*. Such facts can be vague in companies without good organization.

Examples of Policies and Procedures

The Operating Policies referred to here cover broad responsibilities for such main recurring events as:

a. Review and maintenance of corporate long-range objectives, and of all forward planning processes, including product planning.
b. Formulation and review of the operating policies themselves.
c. Development and announcement of new organization structures and practices.
d. Approval of appropriation and disposal requests.
e. Approval of travel and entertainment expenses.
f. Approval of salary changes.

The top *Operating Procedures* define (in appropriate detail) who is responsible for such recurring events as these, *and tells how and when they shall do them:*

a. Periodic reporting on status of new-product programs.
b. Preparation of new-product cost estimates.
c. Design and procurement of such items as production tooling, gauges, and inspection fixtures.
d. Processing of commitment docu-

ments (recording of commitments and expenditures on approved projects.)

e. Setting of transfer prices for intra-company suppliers.

f. Processing of requests for engineering changes and their adoption.

Organization planning is a process that cannot be done once and then forgotten. It must be revised and brought up-to-date to keep abreast of unavoidable changes in the size, purposes, and forms of your company. And it doesn't mean a thing unless it is installed, carefully explained, controlled, and supported by the chief executive himself.

Benefits of Organization Planning

When organization planning is properly carried out, after corporate planning, there is far less likelihood of important projects and deadlines being overlooked . . . for there is more discipline as to individual responsibilities. Because these are nailed down, the boss can tell who is responsible for poor performance. And knowing he can do this helps to keep the team on its toes.

This leads to greater willingness to go ahead "on my own" . . . which good men invariably will do when they know what is expected of them. Naturally, they are far less likely to take a chance when there is confusion and uncertainty.

As a result, there's less friction and less tension . . . better morale. Bringing things out in the open is always healthy and good organization planning often does this.

Finally, organization planning provides a framework for better training, both of men in their present positions and of replacement candidates. Each position's responsibilities, authorities, scope, and relationships are defined. Thus, the training can be built on a known job.

Successful chief executives usually hold the function of organization planning close to their own office. This is done because it cuts across every vice president's "backyard." When an activity gets into a vice president's backyard it must have the authority and prestige of reporting directly to the chief executive to be able to dig in where it should.

Today's busy chief executive, particularly in large companies, obviously must entrust the detail to a competent man . . . one who knows the ins and outs of organization planning in all its forms.

Depending upon the company and its size, the man to whom the president normally delegates the "leg work" of his organization planning is either (a) the Vice President for Personnel Administration (or of Industrial Relations), or (b) an "Assistant to the President," who operates as a full-time, salaried "captive consultant" . . . or (c) an outside man experienced on organization. It is suggested that whoever serves the chief executive on matters of organization might better receive the entire assignment for coordinating all activities making up "Organization Planning and Maintenance" . . . and have them grouped together *in one top staff responsibility*.

Unless all of these activities report to "the boss" and are concentrated in one assignment, the bits and pieces carried on separately can be less effective. "In unity there is strength."

A number of companies already have combined these activities under one staff man reporting directly to the president. Of course, this is the case where Vice Presidents for Personnel Administration are responsible for all of them. On the staffs of these Vice Presidents there is likely to be a separate specialist for each of the activities (where workloads justify it). An accompanying fact, in such cases, is that the same Vice Presidents usually have a number of other functions in personnel and labor relations under their jurisdiction.

At what point does this breadth and depth of responsibility begin to strain capacity and time available for doing a thorough job on the vital management organization? At what point might these activities better be set up separately, for the specialized attention their mission justifies? Questions such as these have, in some companies, brought a decision from the chief executive. He has directed that at least some, if not all, of the "organization-planning" activities shall be under a separate Vice President or Assistant to the President on Organization. It should be pointed out that *matters of management organization should be kept under the eye of the chief executive* . . . no matter who does the detail work.

Should You Combine Four Activities?

It often makes sense to combine four activities having to do with "Organization Planning and Maintenance" in a special group.

These four activities are as follows:

1. *Working out a* 1956-60 *edition of the management organization structure* . . . so that it is "spelled out" in black-and-white, in the light of the forward objectives and development policies formulated previously in the course of corporate forward planning.

2. *Staffing, developing and maintaining the management organization* needed for 1956-60 . . . by the processes of appraising performance, selecting replacements for coming openings (from within where possible, from without where necessary), formal and informal training where practical, counselling where needed . . . all in the light of the ever-evolving problems of the organization "blueprint" and its changing character and complexion through the years.

3. *Informing and motivating management executives* . . . through regular, planned management meetings, addressed by the chief executive, and through individual staff meetings at regular intervals, by appropriate management levels, divisions, or functions.

4. *Developing management incentive*

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and compensation plans . . . worked out along 1956-60 lines by competent specialists, for the purpose of helping to inspire sustained effort and keeping good men within the company. These are the main activities required to accomplish organization planning and maintenance.

More and more chief executives show by their actions they have learned there is no more important activity than organization planning and maintenance, designed to guard what is plainly their company's most precious asset, good management executives, the men who have spent long years learning how to plan and to operate the enterprise successfully so that it continues to provide a fair return for those who invest in its stock, as well as for those (often the same people) who look to it for their "daily bread."

Here are four up-to-date cases of corporate planning, accompanied by organization planning. In each case operating results were greatly improved. For these cases, we turn to sources whose comments on current events in business relate to the points we have covered.

Case No. 1: Ford Motor Car Company

R. E. Roberts of Ford stated in *Advanced Management* of May, 1954: "In 1946 Ford was an organization about as modern as the Model T . . . responsibility and authority were tightly confined . . . dangerously overcentralized . . . no clear definition of the functions and duties of each component. No group could be sure just what was expected of it . . . the company was losing nearly $9,000,000 a month . . . was in the red more than $52,000,000 for that year.

"After an overall plan had been decided upon, primary emphasis *at first* was put on people and organization."

The last sentence supports the thesis we are discussing. This case is a good example on several counts. In 1946 Ford was "in deep trouble." But thorough corporate planning, followed by persistent, objective organization planning (on which much time and money was spent) brought them out of it. Today Ford is reaping the benefits of doing the right things in the right order. They have a top-notch *organization* that is making history. Each passing year brings profitable results and progress to prove it.

Meanwhile, the application of organi-

zation planning *continues* at Ford. They recently announced a major move marking the opening of another phase in the evolution of the Ford organization. We refer to the further decentralization into five divisions. This shows "sensitivity to time" and awareness that executive talents and operational growth often require different organizational deployment as the years pass.

Many managements in many different companies (both large and small) have not been so alert to their need for changing their patterns of organization as the years have passed. As a result they are now in the trouble that beset the old pre-1946 Ford management. Some are wisely moving to clean up their problems, much as Ford has done.

Another case is of equal weight as a living illustration of the points we have been discussing. . . . The management of Chrysler saw, not long ago, that the time had come to "modernize" their overall corporate planning. They also saw the need for changing their organization blueprint and practices from a highly centralized pattern by function to a decentralized pattern by divisions with better localized control of costs and of marketing problems. They faced up to their need for taking a look at their "management inventory," for decentralization to divisions naturally calls for more capable men than does organization by function. But in larger companies this extra cost is often not only justified, *it can actually be vital to survival.*

Case No. 2: Chrysler Corporation

At the close of 1953, Chrysler found Ford and General Motors had pushed it from a long-held second place in the industry to a distinct third. The year 1954 brought still more bad news. Sales slumped nearly 40 percent. Earnings dropped from $74.8 millions to $18.5 millions. It had only 12 percent of the market, although once it had 21 percent. But by the end of April, 1955 Chrysler *was back to* 18.5 *percent* of a market that was larger and far more competitive than that of 1954.

How was this done? Said *Business Week* (May 14, 1955): "This recovery could not have been so fast unless it was founded on something more solid than product alone. Actually the comeback was built on *four major factors:* Management reorganization and decentralization, a changed approach to styling, dealer revitalization, and promotion. . . . The importance of divisionalization (i.e. of decentralization to divisions by car lines) in Chrysler's comeback stems from the psychology of independence, which leads to a greater feeling of responsibility, gives men more drive." At Chrysler this new feeling of independence led to *more group discussion*, the chief difference between the new management and the old.

Here we present another case right out of "current events", testifying to the powerful effects of adequate forward planning supported by adequate organization planning — The Continental Can Company is entering the pay-off phase of a remarkably instructive transformation in management methods.

Case No. 3: Continental Can Company

According to the April, 1955, issue of *Fortune:*

"Since the close of World War II Continental, by a vigorous campaign of diversification and reorganization, has rapidly been closing the gap between it and competition. But Continental found itself in organization trouble midway in its expansion. So without losing stride, the company embraced decentralization and boldly hired a new top man to see the program through. In five years of leadership by General Lucius D. Clay as the company's Board Chairman and Chief Executive Officer, Continental's growth in sales has nearly equalled that of the previous 45 years.

"Before Clay, Continental had Carle Cotter Conway as chief executive officer, from 1926 to 1950. He was the principal architect of Continental's expansion and diversification. While Mr. Conway, over the years, was buying up companies left and right and piling up a tremendous volume of business fast, he was also piling up a tremendous amount of executive responsibility and detail in the central office in New York . . . Conway was smart enough to see this, and to realize, about 1949, that Continental must either decentralize or burst the seams. Though the company was loaded with strong individual talents in engineering, sales and manufacturing, no executive had been trained or tested in the broad art of decentralized administration. The orchestra needed a conductor and Conway had to go outside for him."

According to *Fortune*, Mr. Sidney Weinberg suggested Lucius Clay, "And with General Clay in as Chairman of the Board, Mr. Conway was intelligent enough *to step aside* to give General Clay his actual office quarters, and thereby make possible an essential condition of decentralization . . . a condition which may sound paradoxical: *Control over decentralization must be centralized in one man.* Clay's first move was to loosen the knot at the New York headquarters, where operational control was concentrated to the detriment of fast action in the field. One man was named to head up both sales and manufacturing for each product line, and given a maximum authority . . .

"How much has this decentralization contributed to Continental's success? It's not the sort of thing that is susceptible to statistical proof. The system itself of course doesn't make profits, doesn't ring up sales, but if by Clay's skill in the art of decentralization the chain of command is shortened and decisions are speeded up, the company ought to do a better all-around job.

"And there are other benefits that perhaps transcend the purely economic advantages. Under decentralization there has been a notable stretch in the stature of Continental people. As one division officer put it, 'Without really letting loose of established policy, Clay's got everybody thinking he's his own boss.' "

Case No. 4: Carrier Corporation

While only brief quotation is made here from a talk by William Bynum, Executive V.P. of the Carrier Corporation, on January 19, 1955, before a National Industrial Conference Board meeting, we have endeavored to give enough of Mr. Bynum's points to show

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how, again, *adequate corporate planning, supported by good organization planning*, produced a desired change in operating results in his Company.

"On November 1, 1953, we shifted from a horizontal (or functional) type of organization to a "vertical" (or divisional) set-up. Some of the main objectives in making this change were to concentrate management on product lines, put ourselves in a position to specialize on specific markets, and to open up the top of our organization with positions that provided more opportunities for training in general management.

At the time of Mr. Bynum's talk, the plan had been in effect for a little more than a year. He listed these major benefits:

1. "Inventories have been brought under better control by having responsibility concentrated in smaller groups.

2. "Time required either to change or introduce new models had been reduced by several months. The lead time required to make changes in production schedules had been noticeably shortened.

3. "Several places in the organization had been opened up where men are receiving general-management training, and as a result they feel they are creating greater depth in organization.

4. "Finally the top management of the corporation is finding that it has more time for creative, long-term planning."

Replanning and Reorganizing

Should you replan and reorganize now for better results? These points may be helpful to consider:

1. Successful chief executives are paying much attention to the importance of overall corporate planning and to the vital part played by supporting organization planning.

2. These managements are prepared now, as 1955 is drawing to a close, to tell where they intend to be, each year, for the next five years. And they can show their organization blueprint, or are setting one up to help them meet their objectives.

3. There is a continuing trend to strengthen the organization planning staff itself and to emphasize its importance by having it report directly to the chief executive.

4. Whether this function of organization planning remains with the Vice President for Personnel Administration, or is handled by an Assistant to the President or an outside man, there may be wisdom in combining four previously separate activities:

a. Blueprinting of management organization structure, operating policies and procedures.
b. Staffing, developing and maintaining of the management personnel.
c. Informing and motivating the management.
d. Developing modern incentive and compensation plans that will obtain maximum results from management. END

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New Management Writing . . .

ELECTRONIC DATA PROCESSING IN INDUSTRY: A Case Book of Management Experience

Published by the American Management Association, New York City. *257 pp.* **$7.75.**

Electronic Data Processing in Industry is an important addition to the rapidly growing literature in the field. The volume is a product of the Special Electronics Conference held by the American Management Association in March of this year, and is issued by the Finance Division of the AMA.

The book is divided into three main sections: The Evolution of Data Processing, The Planning Stage, and The Equipment and Its Use. A valuable feature is a "Glossary of Programming Terminology" containing definitions of about 250 words and phrases, compiled by the Committee on Nomenclature of the Association for Computing Machinery.

The principal weakness of the book is the emphasis on planning and the meager information on results. This is scarcely the fault either of contributors or editors, however, since so little experience is available in this new area of applying high-speed automatic computers to management processes. Government agencies, which are at the present time the richest source of experience, are not represented among the contributors except for a brief selection on an application on a Univac for determining material requirements for the Bureau of Ships.

Despite the early stage of applications of electronic data processing, the book contains a substantial amount of sound data on such important considerations as the characteristics of automatic data-processing equipment, specific areas of application, planning surveys, and organizational impact. The chapter on automatic data-processing equipment contributed by Professor Charles W. Adams of the Massachusetts Institute of Technology in itself makes the book an important reference for any organization which is studying the possible installation of equipment. His outline of primary criteria for digital equipment evaluation can be very useful if adapted to your own particular conditions and needs.

Some attention is given to the effect of data processing developments on principles of organization and management. Those contributors who refer to these matters, and others in the field, agree that the outlook is for a sharp impact. Don G. Mitchell, Chairman of the Board of Sylvania Electric Products, says in his provocative introduction to the book: "One thing is sure: Electronic data-processing will tend to separate the men from the boys in commercial and industrial management."

Specific predictions as to management effects include more emphasis on management by exception, centralization of data processing, strengthened organizational decentralization (with which this reviewer does not agree), breakdown of many existing organizational compartments, and separation of data processing from data analysis.

Surprisingly little note was taken of the impact on personnel administration and labor relations, or of the painful processes of major changes in organization and systems due to supervisory resistance at all levels. Little attention was given to the role of top management as the new systems are planned and introduced, perhaps because in industry up to the present time responsibility has been generally localized in the finance division. However, as installations are made and the impact is felt through the organization, top line management will be forced to take a more active role.

Despite the limitations noted the book is an important contribution to knowledge in the new, exciting and fast moving field of automation in the office.

Lowell H. Hattery
Professor of Government and Public Administration
The American University
Washington, D. C.

IMAGINATION—UNDEVELOPED RESOURCE

A Critical Study of Techniques and Programs for Stimulating Creative Thinking in Business by Charles S. Whiting **et al, 114** ***pp.*****, $7.50,** ***Charles S. Whiting, 200 West 58th Street, New York 19, N. Y.***

Harvard Business School Professor, Georges F. Doriot, feels executives must be more alert to scientific and social trends causing business changes. To keep up with events his students must read the New York Times, Business Week and the Scientific American. In addition, recent class assignments include preparation of team reports on change-producing factors in the economic environment. Sample topics: Operations Research, Ultrasonics, Radiation Chemistry, Job Enlargement, and Solar Energy. Most recent in the series of student reports is this paperbound volume subtitled "A critical study of techniques and programs for stimulating creative thinking in business."

This book ambitiously takes a serious look at what some keen observers feel to be the most important change-producing factor appearing on the business horizon to date—efforts to speed up innovation by operating on the cultural, perceptual, and emotional blocks that prevent men from using their creative abilities to fullest capacity.

America's high standard of living and way of life is the result of a series of new ideas resulting from the freedom of "millions of centers of initiative." Up to now it has been a matter of chance whether a person thought up something new or hit upon new ways of satisfying his needs. If we can accomplish so much with hit-or-miss methods, think what might result if it was found that everyone has creative ability and that the means are at hand to train and increase the creative powers of our people!

The big question is "Can business and education increase the creative, innovative, adaptive powers of our managers and workers?" This book supplies an answer—a qualified "yes." Sample programs discussed include:

1. General Electric's "Creative Engineering Program," now 18 years old. Results: three times as many patent applications from graduates of the program as from non-graduate engineers; extension of certain aspects of creativity training to other engineering training programs including value analysis (Advanced Management, July 1955, page 16).
2. MIT's Creative Engineering Design courses and summer seminars under Professor John Arnold.
3. W. J. J. Gordon's Design Synthesis Group at Arthur D. Little, Inc. which takes on assignments of making inventions to order.

This book discusses the specific methods used in these and other programs,

goes into the advantages and limitations of each, points out new exciting applications for these methods outside of the engineering field. Of special interest to the executive is the account of the Batten, Barton, Durstine and Osborn conference technique for thinking up new sales-merchandising ideas called "brainstorming."

This "no negative" type of problem-solving conference is gradually being tried out on many different kinds of problems with many kinds of participants. Nowhere else in print can one find a more complete discussion of some of the factors to be considered in running brainstorming sessions. Nowhere else can one find clearer directions as to factors to consider that may cause the failure of brainstorming. I have seen brainstorming sessions bring amazing results in sheer quantity of ideas and in originality and aptness of the final solutions. However, certain underlying conditions must be present; these are spelled out in this book. One deficiency is that it does not include an actual list of ideas produced in a brainstorming session in the sequence thought up. That is the best way to show what happens when ideas are given the green light and evaluation is postponed.

Other techniques helpfully detailed and evaluated are attribute listing, the use of checklists and the input-output technique. The appendix includes a valuable question type checklist developed by General Electric; also a 64 item bibliography prepared by General Electric for their Creative Engineering program.

Overall evaluation: This is a well organized introduction to an important new group of techniques. It is helpful to the beginner in this area with guides to further exploration. It brings many pros and cons to the attention of more advanced thinkers. It discusses new methods shorn of anecdotal success stories. It is useful to management because it places the subject in its proper perspective, making concrete suggestions as to how to get a creative training program started and accepted.

Charles Clark
Assistant to the Manager of Training
Ethyl Corporation
New York City

CIPM Reports . . .

Americans View Japanese Management

LAST June the Council recruited and briefed four representatives of American management to conduct the first CIPM-ICA general management seminar in Japan. (ICA, the International Cooperation Administration, was formerly the Foreign Operations Administration.) The team spent six weeks in Japan holding seminars in Tokyo, Osaka, Hakone, and three other cities. William Robbins, Vice President, General Foods Corporation; Lee Vance, Executive Vice President and General Manager, David C. Cook Publishing Company, Elgin, Illinois; George P. Edwards, President, Woodruff & Edwards, Inc., also of Elgin; and Arthur C. Nielsen, Jr., Vice President, A. C. Nielsen Company, Chicago, Illinois, were the four team members who conducted seminars on the subjects of Top Management and Controls, Human Relations, Manufacturing, and Marketing.

After meeting with Japanese executives in six industrial areas, visiting their plants, and conducting three-day sessions on their individual topics, the American team members arrived at a number of conclusions concerning management thinking and practice in Japan. Here are some of them.

"Top management understands production and costs—they do not really understand sales and dealing with unions and employees," said a number of Japanese managers who participated in the seminars. The American team members all agreed that the most pressing problems in Japanese industry from a productivity standpoint are those of marketing and human relations. Japan, with a population of 86,100,000, of which 3,861,000 are industrial workers, has a per capita income of only $172.00. Some of the reasons for this situation came out in Mr. Vance's human relations seminar, when several industrial relations directors told him privately that their problem was with top management, a top management that considered itself too busy to pay attention to the area of human relations. Most industrial relations men themselves were well educated men who had not come up through the ranks to their present positions, since most Japanese firms do not follow the principle of promotion from within. Further, Mr. Vance noted that four experienced Labor Relations Committee members interviewed in three cities said that management "talks productivity" to unions with no plan. "Management should explain their company problems in forthright manner and then give inexperienced unions time to mull over ideas." All the industrial relations men agreed that Japanese unions need to know company marketing plans, pricing problems, and the like, so as to gauge their wage demands to fit the firm's financial situation.

Mr. Nielsen, the team's marketing specialist, reports that, "Aggressive market development, both at home and overseas, offers one of the best possible solutions to the problem of over-population. There can be little hope for an expanded economy until the top management men in Japanese industry recognize the importance of the sales function." To the often-repeated contention that Japan's export market is her most important one, and that Japanese manufacturers attach relatively little importance to selling to the domestic market, Mr. Nielsen has replied ". . . to some extent, that situation is true. But so long as efforts are not made to develop the domestic market for its own sake, wages will remain low and there can be little hope for a rising standard of living." There are, he believes, many possible and partial solutions to this problem, varying from incentives to new industries, increased marketing efficiency, and a better highway system.

In conclusion, Mr. Nielsen comments, "The outlook for the industrial development of Japan is favorable. For this reason, I believe Japan will gain as much, and perhaps more, from the productivity program than other nations."

JANE DUSTAN, *CIPM Editor*

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